

Pilot of F-16 Thanks God And Marines For Rescue

By Dan Williams
Washington Post Service

AVIANO AIR BASE, Italy — Shot down over Bosnia and alive to tell about it, Captain Scott F. O'Grady returned to his home base to a hero's welcome on Friday, and thanked God and the Marines for his rescue.

Showing few adverse signs from his six-day ordeal in hiding, Captain O'Grady smiled broadly as he walked into a hangar where about 500 uniformed comrades and their families greeted him loudly. American schoolchildren sang the National Anthem, and four NATO jets flew in formation.

Tears were in the U.S. pilot's eyes as he thanked his rescuers.

"They risked their lives to get me out," he said. "If you want to find some heroes, that's where you should look. They are the biggest heroes in the world."

Captain O'Grady's F-16 was shot down over northern Bosnia near the Serbian stronghold of Banja Luka on June 2. He was rescued by U.S. Marines in the early hours of Thursday.

He said almost nothing about what he did on the ground as he tried to evade capture, but declared that "God's love" had seen him through. After embraces with pilots who had flown with him, including one who saw Captain O'Grady's jet hit by a missile, he left to describe his ordeal to military debriefers.

Captain Bob Wright, who flew in a jet tandem with Captain O'Grady's the day of the downing, said he had seen the hit. "His F-16 became pretty much a big fireball," he said.

At least two FA-6 surface-to-air missiles were fired at the jet, officers at Aviano said.

Reuters reported from Aviano:

The commander of NATO air forces in southern Europe said Friday that he believed Captain O'Grady had flown into a trap when he was shot down. The commander, Lieutenant General Michael E. Ryan, said that Bosnian Serbs had been targeting NATO aircraft "in a very major way" since November.

But referring to surface-to-air missiles, he added: "In the case of Scott O'Grady, they were in an area where we did not think they had SAM capacity. My personal feeling is that they intentionally set a trap and sprung it."

General Ryan's declaration appeared to reflect a growing frustration among NATO airmen trying to enforce a United Nations no-fly zone over Bosnia that the Bosnian Serbs' anti-aircraft defenses have not been taken out by air strikes.

Asked whether he thought the Bosnian Serbs' sophisticated air defense system should be destroyed, the general said: "That's a political decision."

In Washington, a U.S. military survival expert said that Captain O'Grady "had a lot of close calls" after he was shot down.

"He had a lot of traffic around him so he could not go out and hunt for food," said Bob Dussault, deputy director of the Defense Department's survival training agency. The pilot survived on bugs and rainwater soaked up in a sponge. Mr. Dussault said, avoiding capture by staying absolutely still and under cover during the days and moving about only at night.



Captain Scott F. O'Grady waving joyfully to the crowd on Friday on his arrival at the U.S. air base in Aviano, Italy.

In House Vote, Shift on Arming Bosnia

By Michael Dobbs
Washington Post Service

WASHINGTON — By voting more than 3-to-1 for a unilateral lifting of the arms embargo against former Yugoslavia, the House of Representatives has in effect passed a bipartisan vote of no confidence in the Clinton administration's handling of the Bosnian crisis.

The practical significance of the House vote is likely to be limited in the immediate future, as administration officials have said that the president will almost certainly veto the measure if it passes the Senate.

The political significance is considerable, however, as the vote illustrates the dismay felt by both Democrats and Republicans over a series of humiliating setbacks to the United Nations and the North Atlantic Treaty Organization in Bosnia, culminating in the seizure last

month of hundreds of hostages by the Bosnian Serbs.

The vote was the first major congressional ballot on Bosnia since the Republicans took control of Congress in November, and the change in sentiment from the past was striking. When the

NEWS ANALYSIS

issue of permitting the Muslim-led Bosnian government to arm itself first came up in the House a year ago, the resolution passed only narrowly, and was watered down by the Senate.

At that time, a majority of House Democrats (132 to 117) supported the administration's position that a unilateral lifting of the embargo would have disastrous results, both for the United States and for Bosnia.

On Thursday, however, a large majority of Democrats (120 to 71) joined an even larger majority of Republicans (198 to 28) for a total vote of 318 to 99 in favor

of lifting the arms embargo at a time to be determined by Bosnia's government.

"This clearly shows the will of the American people — it is 3-to-1 for lifting the arms embargo," said the delighted Bosnian prime minister, Haris Siladzic, who watched the voting in the House.

The House debate, and a series of hearings in both the House and the Senate, show that pressure is building up in Congress for a radical change in Balkan policy.

"We are not going to be put off by a presidential veto, we will keep coming back," said Representative Christopher H. Smith, Republican of New Jersey, a co-sponsor of the move to lift the embargo. "People here are frustrated with all the ineffectual talk and diplomacy."

It was left to the former chairman of the House International Relations Committee, Representative Lee H. Hamilton, Democrat of Indiana, to put the admin-

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U.K. Reversal Allows Accord On Hong Kong Appeals Court

By Kevin Murphy
International Herald Tribune

HONG KONG — After a sudden, sharp policy shift by the British government, London and Beijing agreed Friday to plans for a new supreme court for Hong Kong.

But the move, which should end years of uncertainty over the shape of Hong Kong's legal system after its 1997 return to China, outraged many local lawyers and members of the Legislative Council, which still must endorse the new Court of Final Appeal.

Critics of the agreement said that Britain has opted for expedience over principle in its haste to ensure a smooth transition and limit further disagreements with China.

"It is an agreement in British interests, but I suggest not in Hong Kong's interests," said the Democratic Party chairman, legislator and lawyer, Martin Lee. He vowed to oppose the accord in a vote expected on Wednesday.

Keen to avoid a rancorous repeat of a conflict over political reform that badly shook the colony's confidence, British and Chinese negotiators early Friday morning finalized plans for the establishment of a local replacement for London's Privy Council, currently the last step in Hong Kong legal appeals.

But the agreement, which includes at least one new point of law concerning the court's limitations, largely mirrors earlier proposals rejected twice by local legislators.

It also contradicts a long-held British policy, strongly supported in the community, which holds that the court should be in place well before July 1, 1997, the first full day of Chinese rule.

"All along, the government has been saying that we need to have one as early as possible," said a legislator, Allen Lee, of the Court of Final Appeal in a query to Governor Chris Patten. "Is this argument invalid now?"

Mr. Patten had threatened to press ahead with plans to set up a court without China's acquiescence, a strategy one senior aide said was being planned until Beijing offered London a compromise about a week ago.

"It was not a particularly easy concession to make," said the senior Hong Kong official involved with the negotiations, describing the decision to delay the court's start until 1997.

"But when you look at the alternatives, leaving its formation until after 1997, or proceeding alone and risking China abolishing it later, I believe people will agree that we have done the right thing," he said. Beijing has repeatedly said it will dismantle the local legislature in 1997 and replace it with one more to its liking because it disagrees with the electoral reforms instituted without its prior approval.

According to Hong Kong negotiators, the court's delay until July 1997 was the price China demanded for its agreement to plan the court now and to allow the Legislative Council to approve it.

Since the Legislative Council rejected a 1991 agreement reached between Britain and China, Beijing had been reluctant to allow it another chance to vote on the measures.

Beijing was also persuaded to drop its concerns about the court's right to examine constitutional questions and to agree to limit the government's post-verdict remedial actions on Court of Final Appeal findings to criminal cases only.

Mr. Patten rejected criticism that Britain had given up too much in its negotiations.

China Raises Its Rhetoric Over Visit by Taiwan Chief

Lee, in U.S., Says Island 'Is Definitely Not Part' Of People's Republic

Compiled by Our Staff From Dispatches

BEIJING — China said Friday that Washington's decision to allow the president of Taiwan to visit the United States was a "belligerent" act against China comparable to the Korean and Vietnam wars.

"The United States is playing with fire," the People's Daily, the Communist Party organ, said in a strident editorial.

But President Lee Teng-hui of Taiwan, firing back at Beijing during his American visit, asked for more international recognition for Taipei and said the island "is definitely not a part of the People's Republic of China."

The Beijing editorial said Washington had committed an "extreme act," adding that allowing Mr. Lee's unofficial visit to Cornell University, his alma mater, was "a wound inflicted upon China."

Quoting from the writings of Deng Xiaoping, the paramount leader, the editorial said China had done nothing harmful to the United States, but called the Americans killers.

"The United States aided Chiang Kai-shek in the civil war and thereby killed or injured an unknown number of people," the editorial quoted Mr. Deng as saying.

"After the founding of new China in 1949 the United States still presented a major threat to China," Mr. Deng went on. "The most glaring examples of its belligerence toward China were the Korean War and the Vietnam War."

In a reference to the anti-government demonstrations that were crushed by the army on June 3 and 4, 1989, the newspaper said, "The United States also got deeply involved in the counterrevolutionary rebellion that occurred in Beijing in 1989."

Mr. Lee, in a private meeting with several prominent Taiwanese-Americans at Cornell, in Ithaca, New York, said again that Taipei had no intention of bowing to Beijing's Communist regime.

"The Republic of China is definitely not a part of the People's Republic of China, and neither is it a province of that country," he said, according to his spokesman, Jason Hu.

"Based on that fact, we believe that the 21 million people in Taiwan need proper representation in the international community," Mr. Hu quoted him as saying.

President Bill Clinton met Thursday with China's ambassador, Li Daoyu, but failed to resolve differences arising from the Lee visit, the White House said Friday.

Mr. Clinton took the initiative in arranging Thursday's meeting, and in his talks with the envoy "reviewed" the subject of the private, unofficial visit of President Lee," said Michael McCurry, the White House spokesman.

Mr. Lee arrived in Syracuse, New York, on Thursday and said his trip to the United States was "a dream come true" in the push to end Taipei's diplomatic isolation.

He was met by Taiwanese well-wishers and three Republican senators: Jesse Helms, chairman of the Senate Foreign Relations Committee, Alfonse M. D'Amato of New York and Frank H. Murkowski of Alaska.

Mr. Lee was then taken by motorcade to Cornell, which had invited him to deliver the keynote address for class reunion celebrations Friday.

(Reuters, APF)

Israel and Egypt Patch Up Differences

By Serge Schmemmann
New York Times Service

CAIRO — While Secretary of State Warren M. Christopher looked on with satisfaction, the leaders of Egypt and Israel met on Friday and declared an end to a cloudy patch in their relationship.

"There is no problem between us and Israel," said President Hosni Mubarak of Egypt, with Prime Minister Yitzhak Rabin of Israel and Mr. Christopher flanking him under the glittering lights of Mr. Mubarak's presidential palace. "We cooperate so that the peace process will continue."

"Any two countries in the world could have clouds appear over their relationship," he said, adding that those clouds had now dispersed.

The declaration marked an end to many months of diplomatic chill, created in large part by Mr. Mubarak's displeasure over the exclusion of Israel from the Nuclear Nonproliferation Treaty and over the Israeli government intention, later suspended, to expropriate some Arab properties in Jerusalem.

Although Egypt is not technically one of

The meeting and reconciliation in Cairo were brokered only over the last week by Mr. Christopher, and they marked an auspicious start for his latest effort to pump up the momentum on all tracks of the search for a Middle East peace settlement. Besides Israel and Egypt, Mr. Christopher will shuttle from his base in Jerusalem to Damascus, Amman and Jericho, the West Bank city where he will meet with Yasser Arafat, the chairman of the Palestine Liberation Organization.

See MIDEAST, Page 5

Egyptians Battle Russian Navel Invasion

By Chris Hedges
New York Times Service

CAIRO — Egyptian belly dancers, condemned by Islamic militants as licentious and scorned by the general public as disreputable, face a new onslaught from Russian rivals, who have invaded the night-

clubs that line the road to the pyramids and crowd the banks of the Nile.

The Russian dancers began to appear in the clubs shortly after the breakup of the Soviet Union. Now, about 100 professional Russian belly dancers are working in Cairo, about a third of all those registered with the morals police, who oversee the shows to make sure they do not become too bawdy. Egyptian belly dancers, famous for their skill throughout the Arab world, say they are increasingly having trouble finding work.

"Before the collapse of the Soviet Union, we used to get the odd foreigner here who tried to belly-dance," said Nagwa Fouad, one of Egypt's best-known belly dancers. "But they never stayed. Now these Russians are everywhere."

Then she added: "A few, who actually studied dance, have good technique, but none of them dance with real feeling. Most

come for the money and work in the lower-class clubs, where customers go not for the quality of the dancing, but the quality of the bodies."

Russian dancers are edging out the Egyptians, in part, because they accept lower pay, often half of the fee Egyptians charge. They are also allowed to gyrate in a more suggestive manner and wear more revealing costumes than the Egyptians. As foreigners, they are not bound by the restrictions imposed by the morals police, who require Egyptian belly dancers to wear mesh coverings over their bellies.

Many Egyptians say that the Russian dancers, by taking jobs from Egyptians, are damaging Egypt's ancient tradition of belly dancing, usually passed down from mother to daughter.

Egypt has many belly dancers — one for

See DANCE, Page 5



FOCUSED — Michael Chang eyeing a return to Sergi Bruguera, whom he defeated Friday to set up the final with Thomas Muster in the French Open.

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AGENDA Japan Won't Join Embargo on Iran

WASHINGTON (NYT) — In a sharp rebuff to the Clinton administration, the Japanese government told Washington on Friday that it would refuse to join its embargo on trade with Iran, and would remain Tehran's largest customer for oil.

White House officials said that they were not surprised by the decision and that they doubted that it was a direct retaliation for the U.S. threat to impose 100 percent tariffs on Japanese luxury cars starting later this month. "They probably would have snubbed us on this anyway," one of President Bill Clinton's senior economic advisers said Friday.

The decision added significantly to the strain between the two countries before Mr. Clinton's meeting Thursday with Prime Minister Tomiichi Murayama of Japan, before the start of the economic summit meeting in Halifax, Nova Scotia.

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The Dollar		Ft. 100	
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Pound	1.5945	FT 100	1.5945
Yen	84.35	FT 100	84.35
FF	4.9465	FT 100	4.9465

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Rightists Capture Ontario Election

Voters Toss Out Socialists in Favor Of Party Promising to Cut Taxes

By Anne Swardson
Washington Post Service

TORONTO — Voters in Ontario, home to one-third of all Canadians, have voted to throw out the province's governing socialists and bring to power a party with one of the most conservative programs in Canada.

The Progressive Conservative Party, under the leadership of Mike Harris, won 45 percent of the popular vote and gained 82 of the 130 seats in the provincial legislature, according to projections by several Canadian television networks.

The Liberal Party followed with 31 percent of the vote and 30 seats, the incumbent New Democratic Party with 20 percent and 17 seats and an independent candidate with one seat.

Mr. Harris, who would take office as Ontario's premier in the next few days, moved to the lead in recent weeks by proposing such American-style measures as a 30 percent cut in income tax rates, "workfare" for welfare recipients, an end to affirmative action and deep cuts in many government programs to balance the provincial budget in five years.

"For those who work and those who employ, we will work to remove barriers to growth in this province," Mr. Harris told supporters in his home town of North Bay as they chanted "Cut, cut, cut" in a reference to his tax proposals.

A Harris victory would mark

a sharp turn away from the socialist New Democratic Party government of Premier Bob Rae, who was elected five years ago amid promises of more spending on child care, education and housing.

Higher government spending and a deep recession increased the provincial deficit to nearly \$13 billion at its peak and forced Mr. Rae to take unpopular money-saving measures. Rather than lay off civil servants, for instance, he imposed 12 mandatory unpaid leave days for the province's employees.

Mr. Harris's apparent victory is the latest in a series of conservative victories in Canada. In the 1993 federal elections, the Reform Party, which has its roots in the populist West, became the third-largest party in the federal Parliament. Its leader, Preston Manning, was seen as the first Canadian politician to win office by calling for reductions in the budget of a nation historically proud of its generous social safety net.

That election tossed the federal Progressive Conservatives out of power and reduced them to two seats in the House of Commons. The Harris provincial victory, however, may offer them a road out of the wilderness.

Mr. Harris, 50, is a former ski and golf instructor. He and his father owned a ski resort, which, sides say, helped shape his view that high taxes stifle innovation and enterprise.



Mike Harris celebrating his victory in Ontario with his wife, Janet.

AMERICAN TOPICS

Nature May Show Insomniacs How to Sleep Like a Kitten

A compound found in sleepy cats may be the substance that could bring natural, drug-free sleep with no hangovers to insomniacs.

"This compound creates a natural, deep sleep, but one from which the test animals could be aroused," said Steven J. Henriksen, a sleep scientist at the Scripps Research Institute in La Jolla, California, in the current issue of Science magazine. "They were not drugged."

Mr. Henriksen said the sleep potion is a natural brain chemical that apparently plays a key role in causing slumber.

"It probably exists in all mammals," he said. The substance is a lipid, a compound that helps cells to communicate within the brain.

He said it could possibly be developed into a pill that would bring sleep to the sleepless without causing the all-too-common next-day symptoms of grogginess, headache and exhaustion.

Short Takes

A father-son robbery team in Wisconsin, James Oswald, 50, and his son Theodore, 19, were sentenced to life without possibility of parole for a bank robbery and shootout in which a policeman was slain. Circuit Judge Lee S. Dreyfus specified that the Oswalds must spend their lives in separate prisons.

In Concord, New Hampshire, District Court Judge Alfred J. Cirone Jr. dismissed assault charges against Michael A. Towne, 20, a restaurant cook accused of spiking the ham-and-eggs "Moon Over My Hammy" sandwiches of two Vermont state troopers with Tabasco sauce and causing them burning mouths and stomach pain. The judge said that although it would be a crime to put dangerous material, like broken glass, in the sandwiches, Tabasco sauce did not count — especially since one trooper devoured

his entire sandwich and the other ate most of his. Judge Cirone said a civil suit would be the appropriate remedy.

In an effort to reduce the pigeon population around Times Square, New York City authorities are warning pigeon feeders to cease and desist or face fines as high as \$250. The sanitation department also has stationed a plastic owl on a sidewalk planter, since owls are pigeon predators. Christine Sheppard, curator of birds at the Bronx Zoo, holds out scant hope for the efficacy of the phony owl. "Hilarious," she said. "These birds are not stupid. In order to survive in the wild, pigeons have to be aware of predators. Any bird that sits still for 24, 48, 96 hours, they know is not dangerous."

The actress Janet Leigh, now 67, long ago revealed that ever since her character was stabbed to death in the shower in the 1960 film "Psycho," she has taken only tub baths. She added recently that her bloodcurdling screams in the murder scene were simply good acting. She denied a long-standing rumor that the director, Alfred Hitchcock, got her to scream by shutting off the hot water.

International Herald Tribune.

POLITICAL NOTES

Pulling the Plug at Energy

WASHINGTON — House Republicans have outlined their plan to dismantle the Energy Department by shifting the government's nuclear weapons complex to the Defense Department, selling oil reserves and creating an independent commission to assess the future of the department's 30 laboratories.

"There is no more reason for a Department of Energy than there is for a Department of Automobiles," said a Republican freshman leader, Sam Brownback of Kansas. Representative Todd Tiahrt of Kansas, who led the task force on the Energy Department, estimated the cabinet elimination would save \$20 billion over five years.

The proposal would create an independent civilian agency at the Pentagon to manage the nation's nuclear arsenal and the cleanup of radioactive and toxic waste at old bomb factories and research sites. The Republicans also would sell off five federal power agencies that provide cheap power to industry and citizens, including the Bonneville Power Administration in the Pacific Northwest, as well as the Naval Petroleum Reserve and parts of the Strategic Petroleum Reserve.

Senate Aims at Term Limits

WASHINGTON — The leader of a Senate Republican task force that proposed rules to strengthen party discipline says additional changes may be made to include imposing term limits on Senate leaders as well as heads of committees.

Support for some kind of leadership term limits — similar to those imposed by the House on its speaker earlier this year — emerged during a closed-door meeting of Republican senators to begin discussion of the plan, which is aimed at enforcing more party unity and decreasing reli-

ance on seniority as a way of choosing committee chairmen.

The effort grew out of the furor last March over the refusal by the Appropriations Committee chairman, Mark O. Hatfield of Oregon, to support the balanced budget constitutional amendment and an abortive attempt by some conservatives to strip the veteran Republican moderate of his chairmanship. (W/P)

U.S. Dodges on Gay Rights

WASHINGTON — With President Bill Clinton's backing, Attorney General Janet Reno has announced that the Justice Department will stay out of a major gay rights test case before the Supreme Court over Colorado's ban on extending discrimination laws to homosexuals.

Ms. Reno's decision, administration officials said, followed an extended and vigorous debate within the White House over whether entering the fight on behalf of gay rights advocates carried a political cost for Mr. Clinton. Ms. Reno said the Justice Department decided against entering the case because there was no federal issue at stake.

The decision infuriated gay rights activists, some of whom warned that Mr. Clinton risks losing a community that was an important fundraising ally when he ran for president in 1992 but has become disillusioned. (W/P)

Quote / Unquote

Vaclav Havel, president of the Czech Republic, the keynote speaker at Harvard's 344th commencement ceremonies: "Many nations, or parts of them at least, are struggling against modern civilization, for the right to worship their ancient gods and obey the ancient divine injunctions. They carry on their struggle using weapons provided by the very civilization they oppose." (AP)

Cuba Arrests Vesco But May Expel Him

By Steven Greenhouse
New York Times Service

WASHINGTON — The Cuban government has arrested Robert L. Vesco, who fled the United States in 1973 to avoid swindling charges, and has approached Washington about returning him to the United States, according to Clinton administration officials.

The United States has sought the swindler's extradition for years, and officials are now trying to get him to return voluntarily with \$224 million in fund investors.

American officials said they did not know what crimes Mr. Vesco had been charged with in Cuba. But they said they suspected he was arrested partly to cultivate goodwill with the United States as Havana seeks to improve ties and persuade the Clinton administration to ease the economic embargo.

"He was arrested in connection with things he did in Cuba, not to things he did in the United States," said an administration official, who confirmed Mr. Vesco's arrest.

Mr. Vesco, 59, has been living in Cuba since the early 1980s, and federal prosecutors have said they suspected that he was involved in the drug trade since about that time. In 1989, he was added as a defendant in a narcotics conspiracy in Jacksonville, Florida, accused of persuading Cuba to allow planes carrying cocaine to pass over the island on the way to the Bahamas.

When Mr. Vesco fled the United States more than two decades ago, he began a great fugitive saga, which was marked by continuous guessing as to his whereabouts. He was charged with skimming huge sums from a Geneva-based mutual fund, Investors Overseas Services, and he was also under indictment for making an ille-

gal \$200,000 campaign contribution to President Richard Nixon.

Justice Department officials said Thursday night that the U.S. government had recently received an inquiry about the possible transfer of Mr. Vesco to the United States.

A law-enforcement official said the government was still gathering information about the overtures. At the moment, he said, "no negotiations are under way" for the return of Mr. Vesco to the United States.

American officials said that over the years there had been many reports that Mr. Vesco might soon be sent back to the United States.

One American official said the administration was certainly happy about Mr. Vesco's arrest, but he was reluctant to discuss the case for fear of spoiling talks with Cuba about Mr. Vesco's possible return.

When Mr. Vesco fled the United States, he first went to the Bahamas, but then was granted asylum by Costa Rica. He lived there for five years but was expelled when the government there changed. He is believed to have returned to the Bahamas. Cuban officials acknowledged in the 1980s that Mr. Vesco had moved to their island in 1982.

At the time, Cuban officials insisted that they had not granted entry to Mr. Vesco for him to engage in drug smuggling or to help import American goods in defiance of the trade embargo. They said he was admitted because, in supporting his wife and two daughters, he was pumping a great deal of money into the Cuban economy.

Although the swindling charges go back more than 20 years, the statute of limitations does not apply to Mr. Vesco because he had been indicted then and has not been tried.

Away From Politics

● A jury has been seated in Miami for the trial of a man accused in the 1993 slaying of a German tourist, Leroy Rogers, 25, is charged with the first-degree murder and strongarm robbery of Barbara Meller-Jensen. Another panel will hear the case against a co-defendant, Anthony Williams, 20. Opening statements were scheduled for Monday. (AP)

● A DC-9 jetliner caught fire on takeoff in Atlanta, forcing all 60 people aboard to evacuate and injuring 7 people. ValueJet Airlines Flight 597 was carrying 55 passengers and 5 crew members when an engine caught fire as the jet began to taxi down the runway. The pilot stopped the flight after a warning light indicated that the right engine was on fire. Three flight attendants and four passengers were hurt. One of the crew members had burns over about 30 percent of her body and was in stable condition, officials said. (AP)

● A New York City police officer has resigned and two others have been suspended over a drunken spree in a Washington hotel, during which officers there for a May 15 ceremony to honor colleagues killed in the line of duty groped women, set off fire alarms and ran naked in front of hotel guests. The three officers were the first to be disciplined over the incident. Investigators have interviewed hundreds of New York police officers who were in Washington for the ceremony. (AP)

● Several tornadoes struck the western Texas city of Pampa, damaging dozens of homes in a 45-block area in the city of 20,000, cutting electrical and telephone service, and injuring at least five people. A warehouse was destroyed and a tractor-trailer was overturned. (AP)



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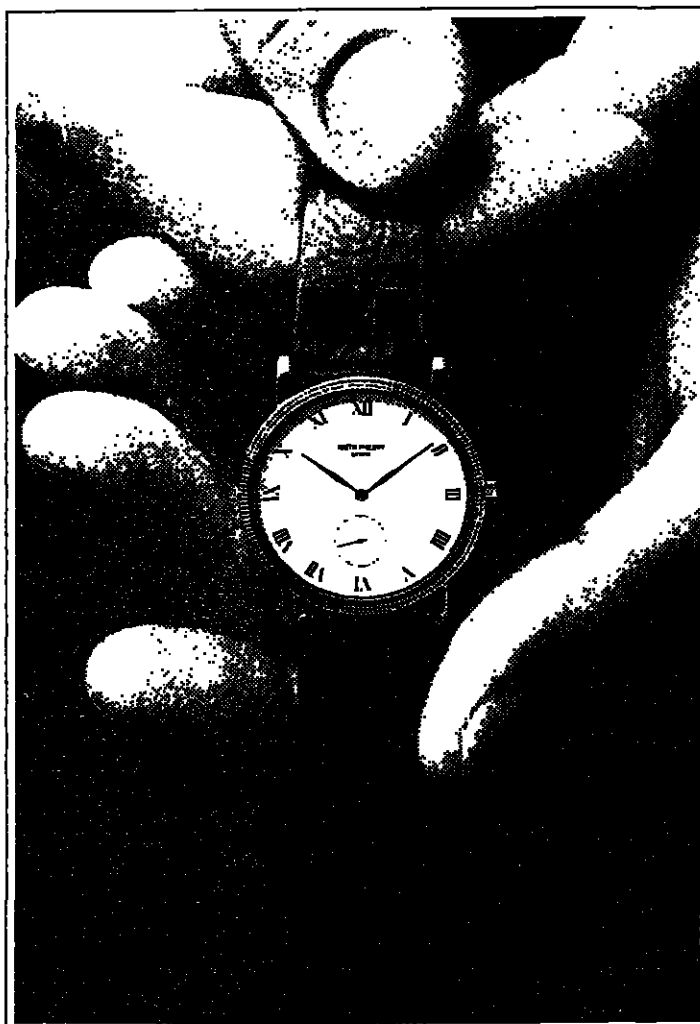
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Russia and Ukraine Resolve Bitter Feud Pact Divides Black Sea Fleet

By Steven Erlanger
New York Times Service

MOSCOW — The leaders of Russia and Ukraine signed an agreement on Friday that should conclude their bitter dispute over the Black Sea Fleet, improving relations between the two most important countries of the former Soviet Union.

It is a measure of how much the world has changed that the two presidents, Boris Yeltsin of Russia and Leonid D. Kuchma of Ukraine, had their meeting at an American-run hotel, the Radisson-Lazurnaya, in the Russian Black Sea resort of Sochi.

The issue of the Soviet Black Sea Fleet and its base in Sevastopol, Crimea, has done much to fan nationalist tensions between Moscow and Kiev since the Soviet Union collapsed in 1991. The fleet is both small and old, with the newest of the 635 vessels built 17 years ago. So the issue was always more political than strategic, with Ukraine eager not to sacrifice its newly sovereign rights to a Russia that has historically patronized Kiev.

For a time, vessels flew under the flags of both countries, but since Moscow paid the bills, commanders nearly always obeyed Moscow's orders, creating a dangerous series of incidents and fistfights.

The matter was complicated by the strange history of Crimea, a Russian resort and naval base that was handed to Ukraine as a meaningless gesture of friendship in 1954 by the Soviet leader Nikita S. Khrushchev. The new border lost its meaninglessness after the breakup of the Soviet Union, and Russian nationalists regularly demand that Crimea be returned to Russia, along with the fleet and the base.

In the end, after numerous previous agreements fell apart, the two countries agreed on Friday to split the fleet in principle, while Russia then "purchases" most of the Ukrainian share, ending up with 82 percent of the vessels.

Russia will continue to use the existing base and its infrastructure at Sevastopol, paying rent to Ukraine, mostly in the form of energy supplies and debt forgiveness. The agreement will also allow the use of parts of the large base in Sevastopol for its small fleet, which has become its navy.

Exactly where Ukraine's main base will be is yet to be announced, though a Yeltsin aide, Yuri Buturin, said it had been decided but left out of the final document.

"It would have been unethical if sovereign Ukraine had the whereabouts of its navy headquarters determined in a bilateral document," Mr. Buturin said, stressing that the decision, however, had been made bilaterally.

A happy Mr. Yeltsin said: "Today, we, Leonid Kuchma and I and the two delegations, finally put a period on this question once and for all." He said the deal opens the possibility for a larger Russian-Ukrainian treaty of friendship and cooperation, long delayed.

Mr. Kuchma, more careful, added: "Although some detailed issues remain, I consider this question solved in general." The two presidents then exchanged a traditional round of hugs and three kisses, and made the rather dubious promise to meet each other monthly, while their prime ministers also meet monthly. Their July meeting is scheduled to be in Crimea, Mr. Kuchma said.

Mr. Kuchma, an ethnic Russian from eastern Ukraine, defeated Ukraine's first president, Leonid D. Kravchuk, in a bitter election campaign that centered on economics and relations with Russia. Despite the worries of Ukrainian nationalists, Mr. Kuchma has strengthened himself by standing up for Ukrainian sovereignty.

Mr. Kuchma has also introduced economic change and budget discipline. He has pushed through the ratification of a key arms control treaty, gotten Moscow to reschedule much of Ukraine's \$3 billion

debt for gas supplies, and, most importantly, perhaps, has forced his legislature to grant him broader powers to appoint the government, issue decrees and pursue economic change.

Recently, he used the example of Russia's crushing of its secessionist region of Chechnya to disband a secessionist president and legislature in Crimea. While controversial, Mr. Kuchma's strong action to keep central Ukrainian sovereignty over Crimea is regarded as a necessary backdrop to his ability to sign the agreement Friday with Russia on the Black Sea Fleet.

For Russia, the gains are also considerable. Moscow intends to reassert its power in the Black Sea as a counterpoint to Turkey, which has had ambitions in Central Asia.



Boris Yeltsin, left, meeting with Leonid Kuchma, center, and Prime Minister Viktor Chernomyrdin of Russia in Sochi.

Serbs, Breaking Pledge, Hijack UN Food Convoy

By John Pomfret
Washington Post Service

SARAJEVO, Bosnia-Herzegovina — Serbian forces confiscated a convoy of United Nations aid bound for the isolated Muslim enclave of Zepa on Friday, a day after Serb leaders promised to let UN aid move along their roads, UN officials said.

The convoy, carrying about 60 tons of food, disappeared Friday near the Serb-held town of Rogatica and its drivers, some of them Russian, lost contact with the UN, a senior UN official said. The official said the Serbs took the convoy because they claimed ammunition had been found in a sack of flour although the convoy had been checked before it left UN warehouses in Belgrade.

"We don't know where it is," the official said. The senior UN official said the Serbs acted to keep the promise that they could not be trusted to keep their promise that UN aid could move along their roads to isolated Muslim areas, such as Zepa, Sarajevo, Srebrenica, Gorazde and Bihać.

"Maybe it's a good thing," the official said, "because this shows what it means to make agreements with the Serbs. The clear-sighted people see what needs to be done in Bosnia. Maybe we'll muddle a little bit more and keep the peace if that's what we call it, but then an explosion will come."

The Zepa convoy was an important test case of the Serb commitment made on Thursday in Pale. Senior UN officials from Zagreb went to the Serb stronghold 16 kilometers (10 miles) east of Sarajevo to negotiate with the Serbs despite the fact that the Serbs still hold 145 UN soldiers hostage. The UN commander in Bosnia, Lieutenant General Rupert Smith, has said he would not negotiate until all the hostages are released. His superiors in Zagreb, specifically the top UN diplomat, Yasushi Akashi, and General Bertrand Jannier, broke ranks with him and their envoys came home Thursday with a deal.

By agreeing to open their roads to UN aid, specifically into Sarajevo, the Serbs acted to head off whatever international pressure remained to forcibly open roads into the Bosnian capital and to other

isolated Muslim communities in Bosnia. More than 250,000 people live in Sarajevo, 110,000 in the three besieged Muslim enclaves in eastern Bosnia, and 180,000 in Bihać, northwestern Bosnia.

In neighboring Croatia, Serb warplanes bombed Croatian forces near the breakaway Serb capital, Knin. Croatia's president, Franjo Tudjman, responded by threatening widespread attacks against the Serbs if they did not rejoin Croatia voluntarily by October.

The air attack, which originated from an airfield that was bombed without effect by NATO planes last November, marked a significant escalation in tensions between Croatian forces, who have taken high ground in Serb-held territory along the Bosnian border, and the Croatian Serbs.

White House Spurns Bosnia on Embargo
Bosnia's prime minister, Haris Siladzic, urged the United States on Friday to end the Bosnian arms embargo, calling it "an instrument of genocide," but

For Pilot, The ABCs Of Survival

By Dana Priest
Washington Post Service

WASHINGTON — After his F-16 was hit by a Bosnian Serb missile, Captain Scott F. O'Grady parachuted to the ground with sophisticated military training in his head and a special "evasion chart" in his vest pocket.

Made of waterproof, tear-resistant lightweight material, the 3-foot-by-5-foot (1-meter-by-1.5-meter) map of northwestern Bosnia doubled as a survivalist how-to manual.

Typed on the margins was advice that might have helped keep Captain O'Grady alive during his six days on the ground in Bosnian Serbian territory, notably a list of local edible plants: wild onions, common dandelions, licorice root, nettle. It included cooking and do-it-yourself instructions. For nettle, for example, "Eat the young leaves after boiling. Cooking neutralizes the plant toxins. Fibrous bark of the mature plants can be twisted and braided into a strong twine."

Basic to the air force's Survival, Evasion, Rescue, and Escape training that had prepared Captain O'Grady, the evasion chart was itself also a piece of survival equipment.

It reminded him that "other uses for this map" include: to catch rain for drinking water, for shade from wind and rain, to haul water or food, to line a hole or depression for storage, wrap clothing, as an extra layer of clothing, to splint a broken wrist, and to plug a chest wound.

But perhaps the most important thing he had, said Lieutenant Colonel John Chapman, commander of the Joint Services Survival, Evasion, Rescue and Escape Agency, was the will to survive.

"It becomes a mind game," said Colonel Chapman. "You're only limited by your imagination."

As part of his training in survival, Captain O'Grady had been left cold and hungry in the mountains of northeast Washington state, near his home in Spokane. During the three-week course, he learned to eat black ants and grasshoppers (to be singled first to remove bacteria), to bounce the sun's rays off a mirror and onto a target and to make tools from branches and shelter from earth.

He learned how to relieve boredom and keep his hopes up. He was taught "to think positive things," said Colonel Chapman.

"He learned his lessons well and then executed his lessons when it mattered most," said Admiral William Owens, deputy chairman of the Joint Chiefs of Staff.

POLICY: House Vote on Arms Embargo a 'No-Confidence' Sign on Bosnia

Continued from Page 1

istration's case for rejecting a unilateral end of the embargo. In an impassioned speech, Mr. Hamilton said such a move would put "Americans right in the middle of the hottest war in the world today — a very, very unwise move."

Reflecting administration thinking, he said that the lifting of the arms embargo would be opposed by America's allies, particularly Britain and France, and would lead automatically to a collapse of the UN peacekeeping mandate. That in turn

would lead to the dispatch of 25,000 U.S. troops to extract the peacekeeping troops, with America assuming responsibility for arming the Bosnian Muslims. This would "Americanize the war," he argued.

This reasoning has now been rejected by a clear majority of congressmen, who argue that there is no peace left to keep in Bosnia, and that the withdrawal of the UN force can hardly make the situation worse.

Mr. Siladzic also argued the case for lifting the arms embargo in an appearance before the Congressional Commission on

Security and Cooperation in Europe. He rejected administration arguments that such an action would result in an unstoppable Serbian offensive.

"If friends supply us with arms, we will solve the problem

ourselves," Mr. Siladzic said. The House resolution is likely to increase the pressure on Bob Dole, the Senate majority leader, to push ahead with his own repeatedly delayed bill on lifting the arms embargo.

DANCE: Can't Stomach Russians

Continued from Page 1

each 5,000 residents by some estimates — but most of them are not professionals and perform only at weddings or small parties.

One professional Egyptian belly dancer, her eyes ringed with black swaths of mascara, her fingers covered with gold rings and her lips smothered in dull, maroon lipstick, sat smoking a cigarette shortly before heading into a ballroom to perform at a wedding. The dancer, who refused to give her real name, said she had an average of five shows an evening before the arrival of the Russians. She now has one or two.

"They do things we Egyptian dancers would never do, like perform in a bikini," she said. "They twist and move in vulgar ways and call it belly dancing, degrading our art. And the owners of the clubs like them because they can introduce them to the customers."

The Russians pour just as much invective on the Egyptians. Yelena Ramazonova, a 27-year-old dancer from Siberia and a former ballerina, sat with her manager in the coffee shop

of the Sheherazade Hotel at 4 A.M. on a recent day, after her performance in the King's Night Club. Miss Ramazonova, who dances under the name Lena, is one of the best Russian belly dancers in Cairo. She performs each night with an Egyptian singer, Kamal Shahawi, and his 13-piece band.

"The Egyptian belly dancers are heavier, and at first I tried to gain weight," she said. "But a dancer has to be lithe and agile. The Egyptians are often jealous of us because we have studied dance — we are really dancers."

Mr. Shahawi added that top Egyptian belly dancers, who can earn up to \$5,000 for a performance, often expect to overshadow both the band and the singer.

Alli Yousef, one of the managers of the Lotus night club, just off Pyramids Road, said many managers also liked the Russians because "they come on time and are not too demanding."

"The Egyptian belly dancers cause us problems," he said. "When the Saudis throw money at the Egyptians they don't want to leave the stage. We have to drag them off."

MIDEAST: Differences Settled

Continued from Page 1

those tracks, having made peace with Israel 18 years ago, American officials said the clouds over the first and most important of Arab-Israeli relationships had cast a shadow over the entire process.

"Today's meeting reflects a rejuvenation of the Israeli-Egyptian partnership, a partnership that is so vital in the development of peace, cooperation and stability here in the Middle East," Mr. Christopher said at the joint news conference.

A senior administration official said the reconciliation was especially important in advance of Mr. Christopher's meetings over the next two days with the leaders of Syria, Jordan and the Palestinians. "One thing we have learned in the Middle East is that part of our task is to remove pretexts" for stalling, the official said.

The most sensitive of Mr. Christopher's meetings in his four-day mission will be in Damascus on Saturday with President Hafez Assad of Syria, which alone among Israel's major Arab neighbors has yet to reach an agreement with Israel.

Last month, the United States brokered an agreement between Syria and Israel to open talks between senior military experts in Washington by the end of this month, and Mr. Christopher is flying to Damascus on Saturday to discuss details of the meetings and to bolster Mr. Assad's resolve.

Mr. Christopher and his aides have cautioned against building excessive expectations in what is certain to be a protracted and complex negotiation. The central issue is how to end Israel's 28-year occupation of the Golan Heights, a strategic plateau Israelis consider critical to their security, and the Syrians insist on recovering.

In EU's Deadlock, A North-South Rift Over Foreign Aid

By Tom Buerkle
International Herald Tribune

BRUSSELS — The European Union has hit a deadlock in defining its foreign-aid priorities because of divergent strategic interests and a shortage of money to spread around, officials said Friday.

Despite months of negotiations, the permanent representatives of the 15 EU members failed to agree this week over how to apportion financial assistance to the countries of Eastern Europe, the chief objective for Germany, and to the Mediterranean region and poor countries of Africa, the Caribbean and the Pacific, which France is championing.

The blockade highlighted a broad rift between northern and southern EU members that is making it difficult for Europe to develop a common foreign and security policy.

The subject was on the agenda when President Jacques Chirac entertained fellow leaders at the Elysee Palace on Friday, but EU officials saw little prospect of a breakthrough. That raises the prospect of a funding clash at the EU meeting June 26 and 27 in Cannes. France has promised to block a deal at the meeting for the East and Mediterranean unless its partners put up more cash for the so-called ACP developing countries, including many former French colonies.

At the heart of the problem are concerns in France, Spain, Italy and other southern members that the Union, under strong German prodding, is devoting too much attention and money to prospective members in Eastern Europe.

Conscious of those concerns, Chancellor Helmut Kohl agreed at the EU meeting in Essen, Germany, last December that the Union must balance its eastward thrust with greater attention to the fragile economies of North Africa and the Middle East. The European Commission this spring proposed extending 6.69 billion European currency units of aid (\$8.7 billion) to the Eastern countries from 1995 to 1999, and 5.16 billion Ecu to the Mediterranean region.

That plan has been attacked from virtually all sides as too ambitious. Given other aid commitments to the former Soviet Union, South Africa and elsewhere, the Union would be locking in most of its 29 billion Ecu aid budget for the next five years, giving it no way to respond to geopolitical shifts.

One French official said it would be absurd to program so much aid so far in advance. France's response has been to scrap the five-year plan and propose spending a minimum of 1.235 billion Ecu on the East and 700 million Ecu on the Mediterranean next year, with increases to follow.

Germany has opposed the Mediterranean figure, as well as France's suggestion that aid to the South should reach parity with the East by 1999. The difference is clear, one German official said. The Eastern countries will become EU members and must be helped. The Mediterranean, while important, will never join the club.

Spain protests the whole idea, however, saying anything less than a major, multiyear aid pledge will undermine the EU-Mediterranean conference in Barcelona in November.

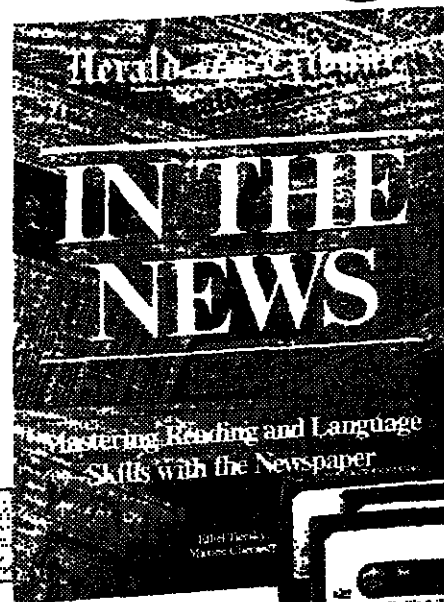
Even if the Union can strike an East-South balance, member states remain far apart on aid to the ACP countries. France is demanding 13.3 billion Ecu over five years, which would keep spending steady after inflation. But German insistence on a nominal freeze of its contribution and Britain's demand for a 30 percent cut leave the EU about 1 billion Ecu short.

Bildt to Succeed Owen
European Union leaders appointed Carl Bildt, 45, a former Swedish prime minister, as the EU's new Yugoslavia peace mediator Friday, succeeding Lord Owen. Reuters reported from Paris, quoting President Jacques Chirac of France.

The leaders of the 15-nation EU made the decision at a meeting in Paris where they discussed peace efforts on former Yugoslavia and other topics.

As the EU's new mediator, Mr. Bildt is expected to be granted greater powers than Lord Owen had.

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Racism Suspected In Austria Bombs

Reuters

VIENNA — Letter-bomb attacks, thought to be by Austrian racists, wounded two women Friday and targeted a popular Friday presenter working for German television.

One bomb exploded in an office in Linz that arranges marriages and partnerships mainly for foreigners living in Austria. The police said one of the women was taken to a hospital with serious hand wounds. The other suffered from shock.

Another letter bomb was sent from Austria to an Austrian-born television talk show moderator in Munich, Arabella Kiescheuer, 29.

EDITORIALS/OPINION

Herald Tribune

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Solidarity Is Key on Bosnia

The U.S. Marines' daring, casualty-free rescue of the American pilot downed over Bosnian Serb territory provides a welcome demonstration of American and NATO military prowess. And of more than prowess. Discussion of military options in Bosnia has been much intensified by the recent sequence of Serb bombardments, UN-NATO reprisal, Serb hostage-taking and UN-NATO irresolution. It is a useful moment for the possessors as well as the possible targets of NATO's arms to be reminded that power has its uses. There can be no euphoria, no recklessness. But there can be an appreciation of the military capacities in NATO's hands and of the readiness of military people to handle the risks that go with their territory.

The Europeans in NATO, with some of their peacekeepers still the Bosnian Serbs' hostages and the others still at risk, have yet to answer what is for them the essential question of whether to protect their forces or evacuate them. Any sort of significant escalation does not seem to be a political option for them at all. But the Europeans have decided to send a 10,000-person rapid-reaction force to fulfill whatever policy they finally embrace.

The European indecision is notable, but Americans, with none of their own forces at risk on the ground, are poorly placed to criticize it. In Washington, there is some support for unilaterally lifting the UN arms embargo in order to let the Muslim-led Bosnian government better defend itself. It is an appealing idea whose downside is that it would almost certainly push the Europeans out of Bosnia and trigger the U.S. pledge to help NATO withdraw. Thus would 25,000 or so Americans find themselves in a possible combat zone on the ground in Bosnia — precisely the posture that alarms Americans across the board.

The best remaining course is to consult and cooperate with America's NATO allies: in working out the choice of protecting the peacekeepers or withdrawing them, in making decisions (lifting the arms embargo) that bear on military action in Bosnia and in ensuring that NATO military operations are coordinated by NATO, not just by the United Nations. The negotiations with Serbia that are being conducted by the United States, Russia, Britain, France and Germany may or may not bring acceptable results. At this late hour, alliance solidarity should be the bedrock of American policy.

—THE WASHINGTON POST.

Terror Bill Endangers Rights

The Senate is congratulating itself for passing the Comprehensive Terrorism Protection Act of 1995 just seven weeks after the Oklahoma City bombing. But the Senate's hasty and ill-considered action has come at a price. Steps designed to protect Americans' physical safety will in many cases erode their liberties.

The legislation, a grab-bag of bills proposed by the Clinton administration and members of Congress, contains more FBI personnel and resources to combat terrorism, increased penalties for dealing in explosives used to commit crimes, and measures to make bombs easier to trace.

But the temptation was too strong, both in the White House and the Senate, to load the bill with tougher-sounding, more crowd-pleasing provisions. These include wide-ranging surveillance power for law enforcement agencies, crackdowns on suspected aliens and more blurring of the line between military forces and police.

President Bill Clinton committed the worst cave-in. After resisting Republican attempts to smuggle into the terrorism bill a pet proposal to limit death-row appeals in federal courts, he surrendered on a television talk show and embraced this so-called "habeas corpus reform."

That left Senator Joseph Biden of Delaware to explain to a heedless Senate that this provision was not germane to terrorism. The only possible connection is that the death penalty is now available for federal crimes like the Oklahoma City bombing. Senators paid no attention when informed that the measure needlessly denied appeal rights to condemned inmates of state prisons as well as federal.

The terror bill's provision for a "wiretap" authority will allow federal agents to tap not only a suspect's phone but any other phone the suspect uses, thus allowing police to eavesdrop on far more citizens at the same time. This is the kind of surveillance expansion Congress has been reluctant to approve in the past.

There is a danger of further privacy erosion in the bill's eased standards for inspecting bank and credit records. An amendment to the century-old Posse Comitatus Act, which prohibits military involvement in civilian law enforcement, would allow military assistance to police where chemical and biological weapons are involved, an unnecessary breach of the line.

Other sections allow the president to compile a list of designated terrorist organizations and permit easy deportation of illegal aliens suspected of terrorism, subject only to review in a special secret court where the accused alien is denied access to the evidence on which the deportation is based.

The Senate wisely agreed to require explosives makers to tag their products so that agents digging through the World Trade Center or the federal building in Oklahoma City could more easily trace the bomb. But this useful provision was no profile in congressional courage. Senators bowed to the National Rifle Association and refused to include gunpowder for small arms ammunition in the bill.

The Senate's 91-to-8 vote shows again how tempting it is to disregard American liberties when people feel threatened, and how easily and swiftly Congress yields to that temptation. Senators do not deserve the round of applause they gave themselves this week.

—THE NEW YORK TIMES.

A Clinton Plan on Welfare?

When President Bill Clinton promised during the 1992 campaign to "end welfare as we know it," he did not foresee the Republican takeover of Congress or how the Republicans would try to keep that particular pledge. Their proposals would dismantle the Aid to Families with Dependent Children program and end welfare's federal "entitlement" status. That means that poor people and state governments could no longer count on certain forms of automatic federal aid during times of recession. It's a dangerous idea — to poor people and to the states. But having helped start this debate, what is President Clinton doing to shift its direction?

On Tuesday, Mr. Clinton, in a speech to the National Governors' Association, laid out the basic objections to the Republican plans quite effectively. The Republican bills, he said, do not include the financing for child care that would be needed to move welfare recipients into jobs — the goal everyone in this debate professes to believe in.

The Republicans, he said, also fail to provide financing for the jobs themselves and create strong incentives for states simply to cut people off welfare.

Mr. Clinton noted that the frozen-formula block grant that the Republicans are proposing would give states no protection against economic downturns and could harm those states that are experiencing high levels of population growth. Finally, he said that neither the House nor the Senate Republican proposals require

states to maintain their current levels of funding for welfare, even though it was those very levels that qualified them for their current allotment of federal funding in the first place.

But once again, Mr. Clinton refused to say what he would do. This has become a bad habit and a reckless one. Would he, or would he not, veto a welfare bill if the Republicans fail to meet these objections? Would he or would he not send up amendments to achieve his ends? Would he or would he not send up a welfare reform proposal of his own?

The problem with his silence is that if the welfare debate stays on its current course, the president will face a terrible choice: to sign a bill he knows is wrong, or to veto it. And it's not as if the Republicans don't already know what the president is against. It's no secret.

Mr. Clinton was given an opening to solve this problem on Thursday by Senators Daschle, Mikulski and Breaux, three Democrats. They introduced a welfare bill that is right in its central features: It contains work requirements, but also the work and child-care programs needed to make them real, and it broadly maintains the current system's fiscal commitment to the states.

The sponsors have to be a lot clearer than they have been on what the bill would cost and how they would propose paying for it. But it cries out for the president's response: Is this what he's for? If not this, what?

—THE WASHINGTON POST.

Africans Are Now Uniting Against Nigeria's Tyranny

By Jim Hoagland

WASHINGTON — Incompetent, corrupt military rule is strangling Nigeria, West Africa's most populous and powerful nation. Only a strong international crusade, as strong and as punitive as the anti-apartheid campaign that helped crack the white tyranny in South Africa, can save the West African giant from a bloody new civil war.

These grim words are uttered over breakfast by one of the most ungrateful men I know: the usually ebullient, unfailingly witty Bola Ajikemi, once foreign minister of a rich and rambunctious Nigeria. Mr. Ajikemi lives now in the danger and loneliness of exile abroad, a condition that dampens any spirit, however free.

At one level, Mr. Ajikemi's fate lies in familiar territory: African politics are volatile and frequently brutal. Mr. Ajikemi, an academic by profession, himself served in an earlier military government in Lagos, hoping to temper its excesses. He failed and quit in 1987. He fled his home and his country last August, hours before the police came to arrest him.

But a new line is being crossed as Africans and African Americans recoil in horror at what is happening in Nigeria. They begin to make the same points that Mr. Ajikemi reluctantly makes: Blacks are abusing blacks as thoroughly and savagely in his country as South Africa's

whites ever did in theirs. The Nigerian oppressors deserve the same international isolation and condemnation that the white Boers received.

"Africans don't take on Africans publicly," Mr. Ajikemi acknowledges. Why give comfort and ammunition to ex-colonialists and racists of all stripes dying to say, "We told you so"? The continent tolerated the outrages of Idi Amin and others in long and shameful silence.

But the liberation of South Africa ended the continent's version of the Cold War. The formation of a multiracial government under President Nelson Mandela means that African nations, and their allies abroad, no longer have to stand united and mute about Africa's own enormous problems.

South Africa must now help democracy sink roots in the rest of Africa.

"Mandela is the key," Mr. Ajikemi said. "He has the international moral authority to speak up about Nigeria. We need a Mandela Doctrine."

This would update and rotate the Nkrumah Doctrine, Ghana's Kwame Nkrumah said in 1956 that Africa would not be free until South Africa was finally free.

"South Africa should recognize that it will not be free until Africa is free from

military rule," says Mr. Ajikemi, who is writing to President Mandela to ask him to lead an international campaign of pressure and persuasion.

Mr. Mandela may listen now. He sent Archbishop Desmond Tutu to Lagos a few weeks ago to ask the military junta headed by General Sani Abacha to release from jail Moshhood K.O. Abiola, who won Nigeria's presidential election on June 12, 1993. Bishop Tutu left without success.

The military has ruled Nigeria for 25 of its 35 years of independence. The generals simply tore up the 1993 election results. General Abacha's regime is waging a scorched-earth war against Ogoni tribesmen, who asked that a small share of the oil revenues taken from their oil-producing Niger River Delta territory be spent on clean drinking water, schools and roads for them.

Having shattered Nigeria's complex federal constitutional balances and the civil peace, the military leaders have made Nigeria an important relay point in drug trafficking that starts in the Middle East.

Abacha and Company are, in short, a thoroughly rotten lot. They more than deserve the limited sanctions adopted by the United States, the European Union and Japan: a ban on most official visits and restrictions on military and economic aid to Nigeria. Mr. Ajikemi was in Washington

to seek support for tougher sanctions and to applaud the work of TransAfrica, the African-American lobbying organization, headed by Randall Robinson, that fought tenaciously against apartheid.

More recently, Mr. Robinson helped pressure the Clinton administration into deposing the Haitian junta. He now leads daily picketing at the Nigerian Embassy and is organizing petitions and media ads denouncing Nigeria's rulers.

"TransAfrica has broken ranks, showing that blacks are now able to criticize a black regime," Mr. Ajikemi said. "African Americans understand they must speak out against the unacceptable face of black dictatorship, too."

Mr. Ajikemi wants the United States and others to investigate the military's bank accounts abroad, to stop importing Nigerian oil and to use international meetings like the Commonwealth gathering in New Zealand in November to lay the regime.

Hardly the agenda I would have imagined this fun-loving professor championing even a few years ago. But Nigeria has ceased to be fun for anyone, least of all its persecuted citizenry. The military regime is metastasizing into a cancer on the body of Africa and on the conscience of the world. At least this time there is no color bar against saying just that.

Washington Post Writers Group.

In Bosnia, American Retaliation Is the Best Policy for Peace

By Jeane Kirkpatrick

WASHINGTON — It may be that the NATO ministers meeting in Europe this weekend will change the rules for United Nations operations in former Yugoslavia. But until now good men of various nationalities have been sacrificed to the multilateral fantasy that aggression can be deterred while contained by barely armed peacekeepers operating under the strangest rules of engagement ever applied in a war.

Sent by their governments to the killing fields of Bosnia, young men confront mortars, missiles and snipers under instructions to draw their weapons only with specific authorization, to fire only after a warning has been given, only in self-defense and only as many times as absolutely necessary to protect one's life.

UN forces operating in former Yugoslavia have been rendered nearly helpless by the UN rules of engagement. Forbidden to use force to do their job in this war-torn area, these soldiers have stood by while Bosnia's towns were reduced to rubble, while civilian populations were shelled and starved, while convoys carrying food to starving civilians were blocked, while promises were broken, weapons stolen, massacres carried out.

Under UN rules of engagement, peacekeepers have stood by while Security Council resolutions were violated and the violations ignored. They have stood by while Serbian forces seized ever larger portions of Bosnia, while the secretary-general, his representatives and diverse other dignitaries affirmed again and again their neutrality — as if neutrality in the face of aggression were a virtue. It is not.

It was similar rules of engagement — accepted by the U.S. government for North Atlantic



Treaty Organization operations — that permitted Bosnian Serb forces to shoot down an American F-16 and its pilot last week. Fortunately the pilot was saved. From this episode we can learn a good deal about the attitudes of President Bill Clinton concerning the use of force and the limits of his responsibility.

It is significant that in the days after the F-16 was shot down the U.S. government neither retaliated nor expressed much outrage

over this deliberate targeting of an unprotected U.S. plane on a routine, nonviolent mission. The administration has still given no one — least of all the Serbs — reason to fear American displeasure.

Such behavior was probably to

be expected from an administration that permitted the installation of the SAM missiles within an area patrolled by American planes. It should probably have been expected as well from an administration that sends American planes to patrol an area defended by SAM missiles — and sends those planes unprotected.

It was not to be expected that such an administration would strike back. The Clinton administration — like the Carter administration before it — often sees U.S. strength as a provocation and tries not to be assertive. Often it is ready to give soundbites the benefit of the doubt.

It is easy enough to guess how Ronald Reagan would have reacted in such a situation. He would not have accepted rules of engagement that exposed U.S. airmen to unnecessary dangers. He would have used all available protection for all personnel on any mission. When a U.S. plane was attacked, he retaliated swiftly, fiercely and certainly, never doubting his right or duty to do so.

And he would never have deployed U.S. forces under UN rules of engagement. Mr. Reagan would not delegate key decisions concerning the use of force to a supranational group figure such as the UN secretary-general.

Mr. Reagan did not shoot from the hip, but he believed in a disproportionate response to an attack, the kind of disproportionate response that would discourage future attack, build credibility and therefore eliminate the necessity of future use of force.

Mr. Clinton has promised NATO pilots the full available protection on future forays. The next appropriate step would be to remove Serbian missile sites — that is, retaliate. It would be good for his political future and world peace if Mr. Clinton would watch a few John Wayne movies.

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U.S. Visit Fits the Realities of Taiwan

By Michael Y.M. Kau

TAIPEI — Given the delicate political balance between the United States, China and Taiwan since 1950, the concerns surrounding the visit by President Lee Teng-hui to the United States are perfectly understandable. But fears that U.S.-China relations will be wrecked, or contacts between Taipei and Beijing disrupted, are misplaced.

In granting permission for Mr. Lee to give a lecture at his alma mater, Cornell University, the State Department and the White House stressed the "private" and "unofficial" nature of the trip, which will in no way change established American policy toward Taiwan.

This policy was laid down in the Taiwan Relations Act of 1979 and the three U.S.-China communiqués of 1972, 1979 and 1982.

It was deliberately arranged that Mr. Lee would not raise political sensitivities by going to Washington or meet any senior administration officials. As a matter of courtesy, he will receive some VIP treatment and necessary security protection while in the United States. Congressional leaders may try to meet with him. Both Washington and Taipei, however, are committed to making the event as low-key as possible.

Beijing's vehement protests over Mr. Lee's visit are predictable. China has recalled visiting delegations and suspended high-level dialogues that were scheduled with the United States. The crucial question is: What else would or could it do? Would China be prepared to push its anger to the extreme of rupturing valuable political and economic ties with the United States?

Beijing knows very well that the viability of its "reform and opening" policy requires a peaceful international environment and U.S. cooperation. China benefits greatly from two-way trade with the United States and has a surplus of \$20 billion in its favor. China also benefits from American investment and technology transfers, on which its modernization depends.

As a result, Beijing has often protested loudly but taken little real retaliatory action in the past. Its limited response to the decision by the Bush administration to sell 150 F-16 fighters to Taiwan in 1992 is a case in point. In the post-Mao era, pragmatism and reason have invariably prevailed in China's conduct of foreign relations, despite some conspicuous gestures of protest.

Beijing is unlikely to act recklessly against Taiwan over the issue of Mr. Lee's visit to the United States. In the last seven years of Mr. Lee's lead-

ership, Taiwan's trade with the Chinese mainland expanded fast, reaching \$16 billion in 1994. Cumulative investment from Taiwan is estimated at somewhere between \$15 billion and \$20 billion.

About 2.5 million Taiwanese tourists a year are now traveling to the Chinese mainland, providing a significant addition to China's hard currency earnings.

Despite heated controversy before Mr. Lee set off on his trip, Beijing's high-level delegation, headed by Tang Shubei, vice chairman of the Association for Relations Across the Taiwan Straits, still showed up as scheduled in Taipei last month to meet with its counterpart body with lots of smiles and toasts. They also agreed to hold a second top-level policy dialogue.

While pushing for his U.S. visit, Mr. Lee is equally committed to engaging Beijing economically and politically to maintain a stable and positive course for continued interaction.

For years, the 21 million people on Taiwan have been gravely frustrated over the island's international isolation and critical of the government's inability to elevate Taiwan's visibility in the world. Mr. Lee's U.S. visit is thus viewed in Taiwan as a great feat of morale-boosting.

Highly contested parliamentary elections are scheduled for December, while direct presidential elections — for the first time in Taiwan's political history — are set for March. No parties or leaders can expect to win national elections without showing their strong commitment to gain the international respect and dignity to which Taiwan's voters believe they are entitled.

To maintain his leadership credentials as a candidate for the popularly elected presidency, Mr. Lee will have to continue to advance his personal diplomacy by visiting various parts of the world and pressing hard for Taiwan's admission to the United Nations. He has shown that he knows how to maintain a proper balance between action and restraint, and between vision and pragmatism.

His trip to America simply reflects the political realities already in existence in and around Taiwan. It is not designed as a reckless adventure to destroy peace and stability in the Asia-Pacific region. There is no reason for the world to be alarmed.

The writer, a professor of political science at Brown University, is currently a senior fellow at the Center for International and Security Studies in Taiwan. He contributed this comment to the International Herald Tribune.

And the NRA, Mr. Dole?

NEW YORK — However cynical his motives, Senator Bob Dole has clambered aboard a legitimate issue.

In a speech delivered Wednesday in Los Angeles, Mr. Dole said, "Our music, movies, television and advertising regularly push the limits of decency, bombarding our children with destructive messages of casual violence and even more casual sex."

This can be confirmed by turning on any television.

"A line has been crossed," he said, "not just of taste, but of

human dignity and decency. It is crossed every time sexual violence is given a catchy theme. When teen suicide is set to an appealing beat. When Hollywood's dream factories turn out nightmares of depravity."

Good issue. Good speech. But if Mr. Dole wants to do something concrete, he'll renounce his support for the NRA. He'll recognize that a loaded gun is more of a threat to a child than a filthy lyric.

—Bob Herbert, writing in The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: Doctors Blamed

BERLIN — The terrible disclosures made respecting the treatment of patients in the Monastery of Marienberg, and the judgment of the Court at Aix-la-Chapelle delivered yesterday [June 8], wholly engross public attention. The medical specialists, who described the size of the monastery as filling them with disgust and abhorrence, cast the strongest blame on the two doctors who undertook the daily supervision of 600 patients, but were only able to visit for an hour and a half daily.

1920: Operatic Theft

NEW YORK — While the family and servants were screaming, burglar alarms were ringing and a chauffeur was shooting, a burglar who had walked calmly into the home of Mr. Enrico Caruso at Easthampton at 10:30 last evening [June 9] made his escape with jewels valued at nearly \$500,000.

Mrs. Caruso was in the sewing-room when she heard a step overhead, which she thought was that of a servant until the alarm sounded. She ran to the hallway and screamed just in time to see the burglar vanishing out of the front door.

1945: No Surrender

SAN FRANCISCO — Kantaro Suzuki, Japanese Premier, told a specially convoked session of the Imperial Diet today [June 9] that the "enemy's boastful talk of unconditional surrender of Japan means nothing more but outright death of all the one hundred million people in this country." "We have no alternative but to fight against this enemy," he said, according to a dispatch heard by the Office of War Information. "In the final analysis this war is one of liberation against Anglo-American schemes for wholesale and permanent enslavement of the East Asiatic Peoples," Suzuki said.

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Beijing Videotapes Dissident to Deny He's Fasting in Cell

BEIJING — China on Friday made public a videotape of Wang Dan, a dissident, in an effort to deny reports that he was refusing food while in custody.

The tape appeared to represent an attempt by the government to control political damage arising from the detention and harassment of dissidents in recent weeks. The tape was sold to Western news agencies for \$300.

Mr. Wang had been prominent in the six weeks of student-led anti-government demonstrations, centered on Tiananmen Square, that the army crushed on June 3 and 4, 1989. He served four years in prison for his involvement.

The three-minute narrated videotape, made in a detention center under the Beijing Reform-Through-Labor Department, said Mr. Wang had refused meals for a little more than a day.

It was sold by the Intercontinental Information Center, a Beijing communications firm responsible to the State Council, or cabinet. An official at the center said that the tape was obtained by "an acquaintance"

and that the Public Security Ministry had approved its release.

An official at the bureau, which runs the city's prisons, said it did not give telephone interviews and declined to confirm whether the tape was authentic or authorized.

The tape's narrator said Mr. Wang was legally detained on May 21 on suspicion of "disturbing the social order" before the sixth anniversary of the Tiananmen crackdown.

He said Mr. Wang began a hunger strike on his second day in custody, refusing all food but milk, but began eating again on the fourth day.

The tape showed jail records of meals purportedly eaten by Mr. Wang and images of him sitting in an armchair beside a bed.

In a brief interview, Mr. Wang described one day's lunch as "the same as yesterday's" and said it included "everything: meat with eggs and tree fungus, fish, steamed bread and other things."

The narrator said Mr. Wang had written a letter in December in which he pledged to refuse food indefinitely if he were arrested.



Prime Minister Tomiichi Murayama bowing in Parliament Friday after the Diet passed a resolution promising Japanese self-examination for behavior during World War II.

Japanese Weaken Apology for War 'Self-Examination' Promised

By Nicholas D. Kristof
New York Times Service

TOKYO — The lower house of Parliament, or Diet, approved an enfeebled resolution Friday that promises self-examination for Japanese conduct during World War II but offers no apology.

Months of vigorous debate and back-room negotiations were necessary to pass the resolution, which does little more than say that Japan may have engaged in some "aggressive-like behavior" — and only in the context of similar actions by other countries.

A proposed phrase of apology had been excised at the insistence of the Liberal Democratic Party, Japan's largest political party.

Prime Minister Tomiichi Murayama had pushed for a resolution of apology, directed principally at Asian countries that were invaded by Japan, to mark the 50th anniversary of the peace. But the way the resolution was weakened in recent weeks has only raised new questions about the nation's understanding of its past.

Countries such as South Korea and China have been

alarmed by Japan's unwillingness to apologize, and young Koreans on Friday burned Japanese politicians in effigy.

The resolution passed overwhelmingly Friday, but only because opponents boycotted the session. The New Frontier Party, the main opposition group, stayed away because of the coalition's refusal to consider amendments.

Dozens of members of the Liberal Democratic Party also boycotted, arguing that Japan need not express any remorse at all. They argue that Japan was forced unwillingly into World War II.

The key paragraph in the resolution reads: "Recalling many aggressive-like acts and instances of colonial rule in modern world history, we recognize and express deep remorse for these kinds of actions carried out by our country in the past. They brought unbearable pain to people abroad, particularly in Asian countries."

The key term, here translated as "remorse," is "hanset," which more literally means reflection or self-examination. So the resolution can also be translated not as expressing remorse but as "we reflect deeply on those kinds of actions."

Riots Raise Doubts About Forcing Vietnamese Home

By Philip Shenon
New York Times Service

KUALA LUMPUR — An international plan to end the 20-year sojourn of the Vietnamese boat people and force the last of them back to their homeland is in danger of unraveling after recent riots by the Vietnamese in detention camps across Southeast Asia.

Refugee workers say the riots show that it will be impossible to deport many of the remaining 40,000 Vietnamese in detention camps without violence. The once-steady flow of boat people volunteering to return to Vietnam has evaporated, at least in part because of moves by Republicans in Congress to offer thousands of them asylum.

As a result, refugee workers say the detention camps may have to remain for years to come as Asian governments, fearing more bloodshed and an outcry from human rights organizations, give up on their plans to force the Vietnamese home.

Just Thursday, the riot police in Hong Kong fired tear gas at a group of nearly 50 Vietnamese

boat people protesting their imminent deportation to Vietnam. There were no reports of injuries, although the kitchen and an adjacent office were set afire by the Vietnamese.

On Monday, the riot police in Malaysia fired water cannon and tear gas to force back more than 1,000 boat refugees who broke out of a camp on the outskirts of Kuala Lumpur in a protest over government plans for repatriation.

Many of the protesters were armed with knives, and the Malaysian police said that after the riot, they seized daggers, swords, spears, bows, and other weapons from the camp, where more than 4,000 Vietnamese are detained.

Twenty Vietnamese were detained by the police here on charges of rioting. And while police spokesmen said no one was wounded in the clash, reporters outside the camp saw at least two men with bleeding injuries, possibly self-inflicted since many of the Vietnamese here have repeatedly threatened to commit suicide rather than go home.

"Until now, the situation has been peaceful," said Erika

Feller, regional representative in Kuala Lumpur for the UN High Commissioner for Refugees. "But I think violence, at least low-level violence, is becoming a threat."

The United States has endorsed an international agreement intended to close most camps by the end of the year by encouraging the Vietnamese still left to go back home voluntarily — and, if that fails, by deporting them forcibly.

Virtually all of the Vietnamese left — there are large camps in Indonesia, the Philippines, Thailand, Hong Kong, and Malaysia — have been declared economic migrants, not political refugees, and therefore have no right to asylum under international law.

But the difficulty of carrying out the so-called Comprehensive Plan of Action has been compounded by legislation now under debate in Congress that could result in offers of asylum to as many as 20,000 Vietnamese.

Republican sponsors of the legislation, which has been approved in the House of Representatives but is facing a veto by President Bill Clinton, say

many of the Vietnamese in the camps have reason to fear persecution, even imprisonment, if they are forced to return to their homeland.

Some human rights campaigners agree. A study by the Lawyers Committee for Human Rights, based in New York, found that "hundreds, perhaps thousands, of Vietnamese refugees have been wrongly rejected" for asylum.

The United Nations, which employs investigators in Vietnam to monitor conditions of the 70,000 Vietnamese who have already gone home voluntarily, insists that it has been unable to document a single case of government harassment of the returning Vietnamese.

News of the recent congressional moves has begun to circulate in the detention camps throughout Asia, and refugee workers say it has given many of the boat people reason to believe that their protests — even violent protests — could help them achieve their dream of citizenship in the United States.

The UN High Commissioner for Refugees, which runs the detention camps throughout

Southeast Asia, has blamed the congressional debate for a huge riot last month in one Hong Kong camp.

Nearly 200 people, most of them police officers, were wounded in the protest. It was the most violent clash since Hong Kong's colonial government opened camps for the boat people in the 1970s.

The UN has also blamed the legislation for having ended the flow of Vietnamese willing to volunteer to return home under a program in which they are each given a payment of several hundred dollars.

The UN ran a charter flight last week for 270 Vietnamese in Hong Kong who had volunteered to go home. But the flight had to be canceled when all but four of the Vietnamese announced that they had changed their minds.

"They clearly told us that they wanted to wait the outcome of the congressional debate in Washington," said Jahanbakhsh Assadi, the chief of mission in Hong Kong for the High Commissioner.

"I hope the damage to the repatriation program is not irreparable, but we have very tangible evidence of people being affected by what's going on in Washington."

Ms. Feller, the UN official in Kuala Lumpur, said she was certain that the American legislation was "an important factor" in the clash here on Monday. "The Vietnamese," she said, "have asked us point blank: Does this legislation mean that we're going to be able to go to the United States?"

BOOKS

LONDON:

A Social History

By Roy Porter. 431 pages. \$29.95. Harvard University Press.

Reviewed by Michael Elliott

PAUL Theroux once wrote, "London is not a city. It is more like a country. . . . Its hugeness makes it possible for everyone to invent his own city. My London is not your London, though everyone's Washington, D.C., is pretty much the same." And that's what makes London so hard to grasp. On any sensible measure of its metropolitan area, it has twice the population of any city west of Moscow. It dominates its host country to an extent that has never been true of Paris, Rome, or anywhere in Germany — while outlying parts of Britain are losing population, London's periphery keeps booming. Yet at the same time, it is the least British place of all. In 1981 one in six Londoners was born outside Britain; in its international links, its enterprise, verve and sheer busyness, it is a world removed from the (take your pick) indolence or placidity that often typifies the rest of the country.

Perhaps because understanding London is such a challenge, it has been well explored by many writers, among whom Roy Porter, a historian of medicine at London University, is the latest. His book deserves

to be an instant classic. True London addicts will supplement it with the new edition of "The London Encyclopedia" by Ben Weinreb and Christopher Hibbert, but for those looking for a one-volume social history of the city, Porter's book could hardly be bettered.

Porter succeeds because he knows that you can't look for order in London. It is, in his phrase, "a muddle that worked." With the exception of the Prince Regent and his architect John Nash, whose grandiose schemes peter out where Portland Place bends around what is now the home of the BBC, the city has never been consciously planned. Its true gems — like Nicholas Hawksmoor's churches of the early 1700s — are hidden away. London is the way it is because governments could never impose regularity upon it; it was built not by kings or emperors but by private capitalists eager for quick profits.

London, indeed, was the apotheosis of early capitalism — Porter's history of the importance of trade and commerce to the city's growth is exem-

plary. But there was something more. London was (and perhaps still is) the world's great Protestant city. From the time of Elizabeth I, it became the safest haven for Protestants persecuted elsewhere in Europe. Flemings, Dutch and Huguenots flocked there. In the 17th century it was a hotbed of Puritanism, the redoubt of Parliament's forces in the English Civil War. In the 1670s the mob liked to burn effigies of the pope, "his belly full of live cats which squallied most hideously when they felt the fire."

Curiously, the political radicalism that had once gone hand in glove with Protestantism and capitalism died in the 19th cen-

tury. Karl Marx may be buried in Highgate cemetery, but Porter convincingly suggests that, with few exceptions, London has been politically quiescent for decades. The bigger question is whether London is now, or can ever be, the powerhouse of capitalism it once was. Porter doubts it: the chapters of his book that bring the story up to the present day describe a hopeless city ravaged by the heartlessness of Thatcherism, in danger of being bypassed by the forces of the global market.

Michael Elliott, diplomatic editor of *Newsweek*, wrote this for *The Washington Post*.



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THE WORLD'S DAILY NEWSPAPER

ART



"Vegetazione," a project for the 1995 Venice Biennale, by Livio Seguso.

A Parisian Savior for the Biennale

By Roderick Conway Morris
International Herald Tribune

VENICE — Italy's faction-ridden medieval republics sometimes found that the only solution to their chronic disorder was to call in a foreign podesta, or governor, to rule them. The city of Ragusa, now Dubrovnik, institutionalized the system — and Nicolo Machiavelli was an eager, though unsuccessful, candidate for the job there.

Last year, as the Venice Biennale's 100th anniversary drew near, this cumbersome bureaucratic, administratively top-heavy institution appeared to opt for a similar course: it surprised just about everybody when it bypassed local Italian candidates and, for the first time, called in a complete outsider. Jean Clair, the man in charge of the Picasso Museum in Paris.

Though he had little time to prepare the event, the retiring, pipe-smoking academic has managed to place his stamp on this year's centenary Biennale, which opens this weekend and runs until Oct. 15.

Clair has made his presence felt through an enormous personal exhibition: "Identita e Alterita." Identity and Otherness, or Identity and Alterity as the catalogue would have it.

The central theme of the show is how a wide range of artists have viewed and presented the human body in general and the face in particular over the last hundred years. To accommodate the show's 1,000 works, which include 600 paintings and 200 sculptures, Clair has filled Palazzo Grassi (FIAT's cultural flagship on the Grand Canal) with overspill sections of more recent works in the Corner Museum on St. Mark's Square and the Italian Pavilion in the Biennale Gardens in Castello.

Clair is fascinated by the influence of scientific and technical innovations — the invention of cinema, or X-ray — on the vision of artists. The canvases and sculptures are paralleled by photographs, from studies of the human body in motion and pictures from police archives to masks of racial "types" and gadgets such as one to measure the human skull.

Clair illustrates how, in an age of mass

destruction, artists have often tended to see the human body no longer as a classical whole but fragmented into constituent parts. Nazi and fascist art is interestingly seen to run against this trend, producing spuriously "wholesome" ideal beings, like those in Adolf Wissel's "Kalenberg Farming Family" (1939), a chilling painting that contrasts dramatically with Felix Nussbaum's "Self-Portrait With Jewish Passport" (1943).

Many famous artists are represented in the show — from Matisse, Picasso and Munch to De Chirico, Bacon and Hockney — but not necessarily by their most famous works. There are other discoveries to be found here in a thought-provoking show that will delight anyone interested in 20th century art.

Deliberately or not, the exhibition is a notable counterblast to Achille Bonito Oliva's 1993 Biennale, in that almost all Clair's selections are figurative, even in the more recent sections, whereas to find such works anywhere in the Biennale's multiple spaces two years ago was an uphill task.

The city of Venice decided to mount its own historical retrospective of the institution at the Doge's Palace, curated by Giandomenico Romanelli. The selection of some 170 pieces is rich and rewarding. Again there are fine works by artists little-known today, as well as those by figures such as Klimt and leading Italian 20th century painters and sculptors.

The city show also has a section with some 400 exhibits at Ca' Pesaro on the Grand Canal, covering applied arts (including a large glass section) that were also shown in the first Biennales. On the top floor of Ca' Pesaro is an astonishing cycle of huge monochrome art-nouveau murals done by Aristide Sartorio for the 1907 Biennale. These should not be missed (though visitors are allowed to see them only upon request).

Clair created a rumpus by deciding to cancel the Aperto, or Open, section for young artists, previously held at the Corderie, the Arsenal's old Rope Walk. He contended that the building is not in good enough condition and that the event has often been of uneven quality.

He did not characterize this as a permanent abolition of the event. But in the absence of a special space to show young artists, countries including the Netherlands and Britain have set up their own shows (the former in the cloisters of the San Francesco della Vigna, the latter in the Scuola San Pasquale, next door to the church).

The Netherlands is the only country I am aware of with an "art mountain" to parallel Europe's beef mountains and wine lakes: it consists largely of otherwise unsalable works bought from Dutch artists by the state as a form of government subsidy. The Dutch artists' works on show at the cloisters may, one suspects, share the same fate. The British works, too, will appeal only to die-hard fans of today's often state-sponsored "avant-garde."

Most of the national pavilions in the Biennale Gardens offer little of great excitement, though the fashion designer Roberto Capucci's sculpture dresses in the Italian Pavilion are fun and beautifully made. These pieces are not designed to be worn by any living woman, but to stand on their own as works of art, an amusing comment on the near-naked models the couturiers have been sending down the catwalks of late.

Equally enjoyable is a show held jointly by Allen Ginsberg and the Japanese artist Hiro Yamagata at the Zietelle Cultural Center on the island of Giudecca (until Sept. 15, closed July 1 to 5). The beat poet turns out to be a skillful photographer. His pictures, which document not only his own life but those of conferees such as William Burroughs, Gregory Corso and Jack Kerouac, are poignant, sensitive and revealing. Hiro Yamagata, who says he was inspired by Ginsberg, has produced an extraordinary set of motor cars by cannibalizing the wrecks of dozens of Mercedes-Benz Cabriolet 220As, restoring them to mint condition and painting them in glorious technicolor.

Some Italian critics have been waiting for Jean Clair's Biennale to fall on its face, speaking of him as if he were a new Machiavelli incarnate. It is a pleasure to report that he seems triumphantly to have saved the Biennale from itself.

The Tales African Textiles Tell

By Michael Gibson
International Herald Tribune

PARIS — Sculpture is the main suit of African art, but the continent also produced a singular two-dimensional art form, and the current show at the Dapper Museum devoted to it is something of a revelation.

"Au fil de la parole" (through Sept. 25) assembles various types of textiles from Ghana, Togo, Sierra Leone, Nigeria, Zaire, Mali, Cameroon and the Niger basin, whose qualities of invention and composition, particularly in the more asymmetrical pieces, surely rival those of such consecrated moderns as Klee or Chirico.

Thus the ornaments of the Nishak cloth embroidered by members of the Kuba group in Zaire irresistibly remind one of the work of European abstract artists, even though this cloth, sometimes five or eight meters in length, was worn as a loin cloth and never intended to be displayed on a wall.

Simple symbolic forms — V-shapes, circles and squares — as well as more informal ones that could evoke a stylized rendering of human figures dancing with abandon, are disposed almost randomly on the cloth with splendid effect.

Also intended to be worn is a sumptuous piece of indigo cotton embroidered with eury designs done by a Hausa from Nigeria. This immense poncho-like item (2.73 by 1.35 meters), with its large, incomplete concentric circles and superimposed rectangular designs, is splendidly authoritative and irresistibly asymmetrical.

The fundamental difference between these works and comparable ones by Western artists clearly resides in the fact that each

one of the African items was specifically created for its wearer. "All these garments are signs of identity, social status, function or condition — or even an illustration of a proverb," says Christian Falgoutre-Leveau in the catalogue. "The motifs serve as vehicles for a discourse which provides recognition and stimulates euphoria."

Western works are intended to hang from a wall where they invite to reverie or reflection, while the African ones are wrapped around the hips, stand for a relationship and define the wearer's part in the general dance and structure of society.

But the perception and interpretation of patterns is also quite different. In sub-Saharan Africa, where writing only recently gained a foothold, patterns have long been a powerful support for discourse both wise and humorous. Nakunte Diarra, a Bamana woman from Mali, makes a type of died cotton cloth called Bogolan, on which she combines more than 40 patterns, each with its own name. A crenelated line is known as "the teeth of the jealous husband," a zigzag line is "the one-legged woman," and a pattern composed of two lozenges connected by two lines in the form of a barbell is referred to as Kumi Jose's neck. Kumi Jose (or Dioso) had a remarkably long neck. He was the last chief of the Bamana village of Kumi and became famous for his brave resistance to the French. This last pattern demonstrates how, in the absence of writing, the memory of a person or an event can be preserved by means of a pattern printed on cloth.

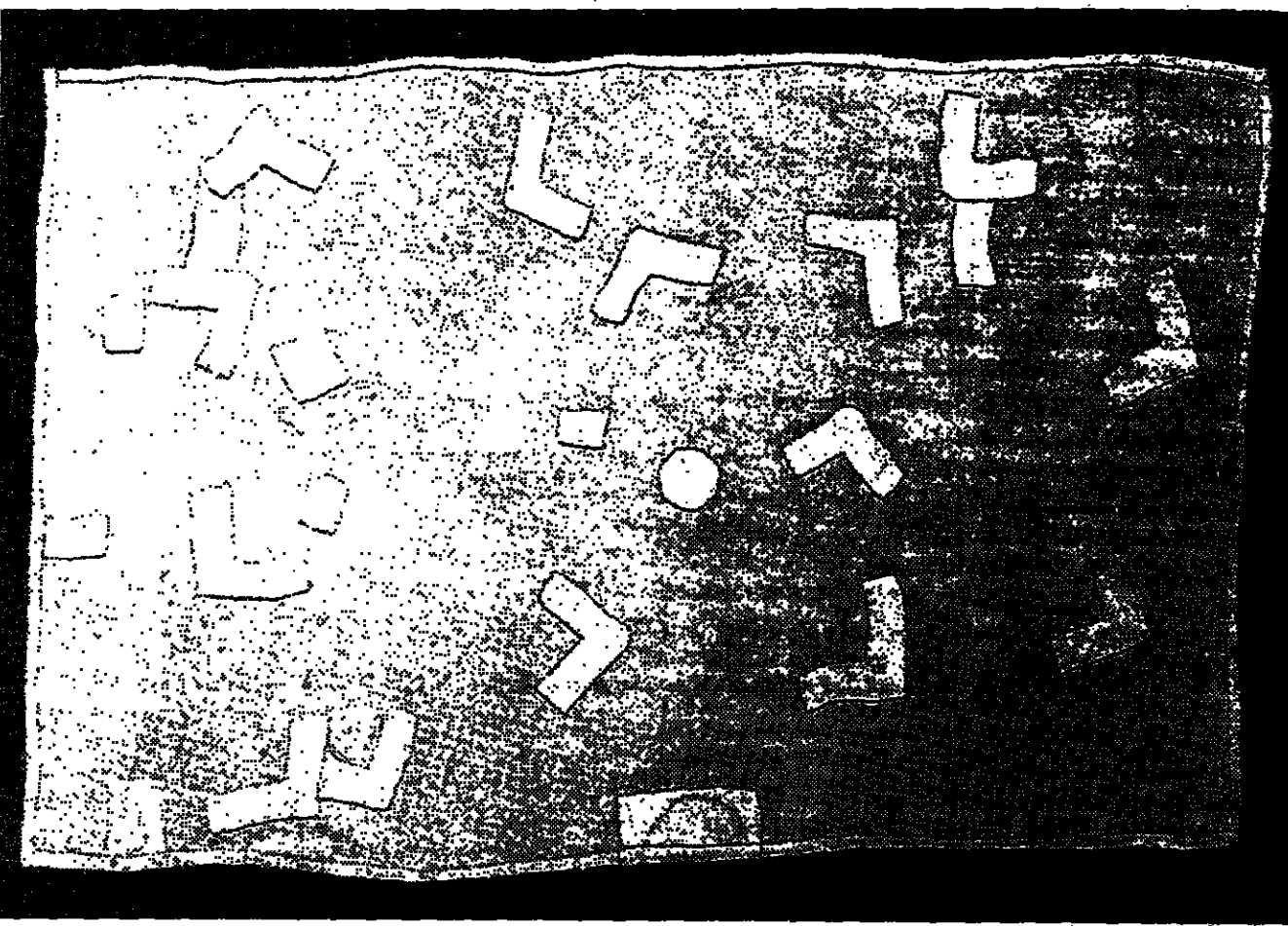
The subject of other patterns can be moralistic ("people gossip too much") or metaphysical or religious (Mount Sinai), or may simply refer to characteristics of such

animals as the caiman, the scorpion or the snake. Even a simple white line has its significance, being known as "the little white snake."

The Kuba have their own interpretation of the simple geometric signs they use. A small square set in a larger one signifies Woot, the ultimate ancestor who, with his sister, Mweel, produced the world and all the beings that people it. Thus do the simplest designs tie each individual into the broader mythic patterns of the world.

THIS does not mean, however, that aesthetic considerations did not play their part. Each Kuba monarch, in past centuries, was required to invent a new pattern when he was elevated to the throne. This tradition was still observed in the first part of this century. King Kot Mabinsh ma-Kyeen (1919-1939) traveled some distance in search of his own pattern, and one day, when he was already king, his aesthetic interest was stimulated by the tracks of a bicycle tire that he immediately had court artists set down for future use.

This exhibition plays upon the paradoxical relationship Westerners establish with such objects. They view them through eyes accustomed to modern art but they are also gratified to discover that such forms can serve as vehicles to meaning. In a world unduly dominated by instant communication, and possibly suffering from an excess of mere information, these simple objects illustrate how, in other circumstances and in the absence of writing, the collective memory could rely on a web of signs to transmit and immortalize humor, history (or legend) and the hidden wisdom of the tribe.



Nishak pattern from Zaire is among striking designs in show of African textiles in Paris.

Revolution and Restoration

By Daniel Williams
Washington Post Service

ROME — This city, like all of Italy, is filled with art treasures. So what's another fresco when there are plenty of great ones to behold in Florence, Arezzo, Assisi? Hardly a major church of any antiquity is without one. Giotto,

Masaccio, Fra Angelico, Piero della Francesca. The names on the list of masters could fill, well, a fat tourist book, and of course they do.

Yet the unveiling in a Roman chapel of four walls of restored frescoes, painted by anonymous artists late in the 13th century, created unusual excitement. The works are in the Sancta Sanctorum shrine,

across from San Giovanni in Laterano cathedral, where the Appian Way enters the Old City.

Pope Nicholas III ordered the chapel, a private house of prayer for the popes, rebuilt in 1277 after an earthquake. It had been declared the "Holy of Holies" because it sheltered relics from Jerusalem and from the lives of martyred saints, and a painting of Christ on wood that, legend held, was "not painted by human hands."

Inside the new chapel were subtle signs of something revolutionary: A knee that had been painted with an effort to represent anatomy. An angel on one panel that was slightly fatter than its near-twin on another. The clear blue eyes on a portrait of Nicholas III, which were strikingly different from the characteristic brown eyes of assorted saints and martyrs elsewhere. The folding of one building behind another, a primitive stab at perspective.

These individual touches broke the rules of medieval art. Until then, painters had been restricted to the rather stiff and standardized renditions of icons. One Saint Peter would invariably look rather like another, a style that Giorgio Vasari, the 16th-century biographer of Renaissance artists, called "rubbish." The artist — or artists — in the Sancta Sanctorum had broken these rules.

That this revolution was taking place in 13th-century Rome, which had been thought to be a fresco backwater, comes as a surprise. Extensive urban renewal in the 14th century destroyed much of the medieval city, including most of its frescoes. The Sancta Sanctorum frescoes were hidden not just by grime but by an extensive repainting done in the 15th century. At that time, repainting was considered restoration.

"It makes one think there was a consolidated school of artists in Rome," Federico Zeri, a leading art historian, wrote. "This original fresco cycle of the 13th century, returned

to light thanks to a perfect restoration, presents the first hints of the prospective and formal revolution that opened the road to modern painting."

Italian cities, which for centuries vied commercially and territorially, harbor many ancient rivalries, and art comes in for its share of them. So when the Vatican unveiled the Sancta Sanctorum, Rome suddenly assumed a place alongside Florence as a pioneer producer of frescoes heralding the coming Renaissance. "Maybe it is Rome that influenced the Tuscan, Giotto, the others," said Carlo Fioravanti, director of the Passionist order of priests, which has taken care of the chapel for centuries. "We can talk of a 'school of Rome' in the same breath with Umbria and Florence."

Fioravanti ticked off the details of the frescoes. Note, he said, the flowery ornamentation and red background framing the depictions of the grisly martyrdoms of Saints Peter, Paul, Lawrence, Agnes and Stephen, as well as a miracle performed by St. Nicholas. See the landmarks that include Castel Sant'Angelo and a now-destroyed tower in Circo Massimo, identifying Rome as the site of the upside-down crucifixion of St. Peter. "Look at the noses," he said, pointing at the prominent beak on a man vigorously pumping air through bellows on a fire burning St. Lawrence. "These are not medieval noses. These are real."

The panel that includes the hairless face of Nicholas III, shown handing a model of the chapel to a waiting Christ, is stunning; such portraiture in a church, displaying great individuality, was thought to be out of the question in the Middle Ages. Zeri called it the "first known portrait of Italian painting."

Bruno Zanardi, a master restorer from Parma, carried out the cleaning, which cost about \$500,000.

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Chinese Buyers Move Into Market to Reclaim Heritage

LONDON — The ascent of Chinese art increasingly looks unstoppable. This week, neither the current economic worries nor the political uncertainties in the Far East appeared to affect prices or the volume of transactions in what has become the most dynamic area of the art market.

SOURIN MELIKIAN

The auctions held at Christie's on Monday and at Sotheby's on Tuesday gave some striking indications of its vigor. But the auction message could not be read without careful scrutiny of the performance. At times, the auctions, even at Christie's, where the total sold rose to a very substantial £2.6 million (about \$4 million), seemed to be headed for disaster. The auction house had its best sale in years, but when 38 percent of the lots find no buyer, something is wrong somewhere.

In a nutshell, the auction houses do not have the guts to keep out third-rate pieces — or to compress reserves thrust upon them by speculators (to the point where these would become salable). Christie's must have been understandably keen to include a marvelous 15th-century red lacquer box, which it ran on its cover.

The snag is that it also took in a host of trifling objects from the same "European collection" that no place in a high profile auction. In the event, the lacquer box, inscribed with the imperial Yongle reign mark (1403-1424) fetched a sensational £100,500 but the glory of it was lost as one of two of the trifling pieces, of no remote interest to the attendance, failed to elicit bids.

Ironically, the importance of the other summer in the "European collection" failed to register with the cataloguer, so busy he must have been sorting out a myriad of pieces. The dish, decorated on the sides with turquoise dragons on deep blue ground, was entered as "late 15th/early 16th century." Lacking an imperial mark, it seemed to justify a £3,000 to £5,000 estimate. As it happens, however, it belongs to one of the very rarest classes of Ming porcelain. A furious bidding match broke out between dealers from America, Europe and Asia, sending the dish zooming to £76,300. The winner? A Hong Kong collector, of course.

There were other triumphs for Colin Sheaf, the expert who put the sale together, and other glitches as well. A splendid bronze tripod vessel or "ding" of the 12th century B.C. ascended to £36,700. It was

followed by two bronzes of the same period, which were equally splendid but never stood a chance — broken and restored, they should have had their estimates slashed by half or more, not the same estimates as the ding, which is intact. They did not sell.

Shortly after, there came a totally unnecessary group of bronze mirrors with datings ranging from the 2d century B.C. to the 8th century A.D. The cognoscenti, who appeared to put little faith in them, watched stone-faced as they fell into emptiness, one after the other.

In any but the strongest market, pranks such as these can cost dearly. On Monday, they made not a shred of a difference. Better, there were some pleasant surprises. Excavated Tang earthenware figures are often difficult to sell, even good ones. That was not so on Monday.

A Japanese buyer went after a camel and its rider in eastern Iranian garb, for which he paid £67,500 and, unable to resist another camel obviously from the same workshop, paid £28,750 for the latter.

It was nevertheless the Chinese who dominated the entire proceedings. Sheaf says that more than two-thirds of the sale in value was accounted for by Chinese buying — Hong Kong alone represents 23.5 percent of the total. The big surprise invariably affected objects that traditionally excite Chinese admiration — porcelain with reign marks that establish their imperial destination, objects d'art in the scholar's taste. A bowl of the Hongzhi period (1488-1505) more than tripled its high estimate as it reached £36,200; it has just the right shade of imperial yellow — and, yes, the mark.

It all peaked with an 18th-century dish decorated in green on black with garden rocks and shrubs, and blossoms on the rim. Painted with a skill usually associated with hand scrolls, this is more beautiful than any piece of that exceedingly rare group yet seen on the market. With its Qianlong (1736-1795) mark, it proved irresistible to Chinese connoisseurs. A grand battle sent it flying to £331,500, paid by King Kong Lee on the phone from Hong Kong on behalf of a collector.

Sotheby's replay of the game on Tuesday confirmed the extent of the Chinese onslaught on Chinese art. It was a more compact sale which totaled £1.6 million and left 32 percent of the lots unsold (less than at Christie's, but still a huge proportion). Two incidents were revealing of the im-

part of the Chinese taste on price patterns. One concerns a dish decorated with vermilion dragons amidst blue and white wares, inscribed with the Yongle mark (1403-1424). It is not nearly as rare as the green and black dish. But it is beautiful — a beauty not instantly acknowledged in the West. At £287,500, it exceeded its high estimate by a quarter and is now headed for Hong Kong. More surprising still to Western professionals, a bamboo root carving of a cabbage leaf, which they thought would go anywhere between £2,000 and £3,000, went up to £46,600. A Hong Kong collector got it over the phone.

Had the story been confined to the auction scene, it might be argued that the Chinese are belatedly discovering the fun of the game. But what happened in the galleries leaves far behind the auction house performance. Eskenazi's stunning show which, as usual, stood out above all the others, gives the clue to what may be the ultimate secret behind the ever-soaring fortunes of the Chinese art market — a continuing capacity to surprise, sadly lacking elsewhere. I know of no other field where one dealer alone can come up with a dozen unrecorded masterpieces, two of which reveal hitherto unknown schools of sculpture.

A group of six pottery figures of women dancing, their arms raised to allow their long sleeves to flutter, represents an extraordinary addition to our knowledge of Han art. It is shocking that four of the six should have been sold to three different buyers, breaking up this mysterious ritual ballet, the meaning of which escapes us.

Yet this marvelous group is outshone by the unexpected pottery figure of a Tang lady of the court molded around 700 A.D. with a sophistication in the detail and the expression on the face that places it very high up in what André Malraux called "The Imaginary Museum of World Sculpture." By Wednesday night, sales at Eskenazi's added up to "over £4 million," according to the London dealer, about 10 percent of it courtesy of Chinese buyers.

These were everywhere. They bought the finest jades from S. Marchant's selling exhibition on view at 120 Kensington Church Street until July 7, and a host of scholarly taste objects d'art from the Oriental Arts Gallery at 4 Davies Street. Marchant wistfully remarked that some of the jades headed East came from great European collections. Indeed. What happened this week in London goes far beyond the art market. It smacks of cultural repossession.



Among treasures found in galleries are these earthenware dancing figures from Western Han period in China.

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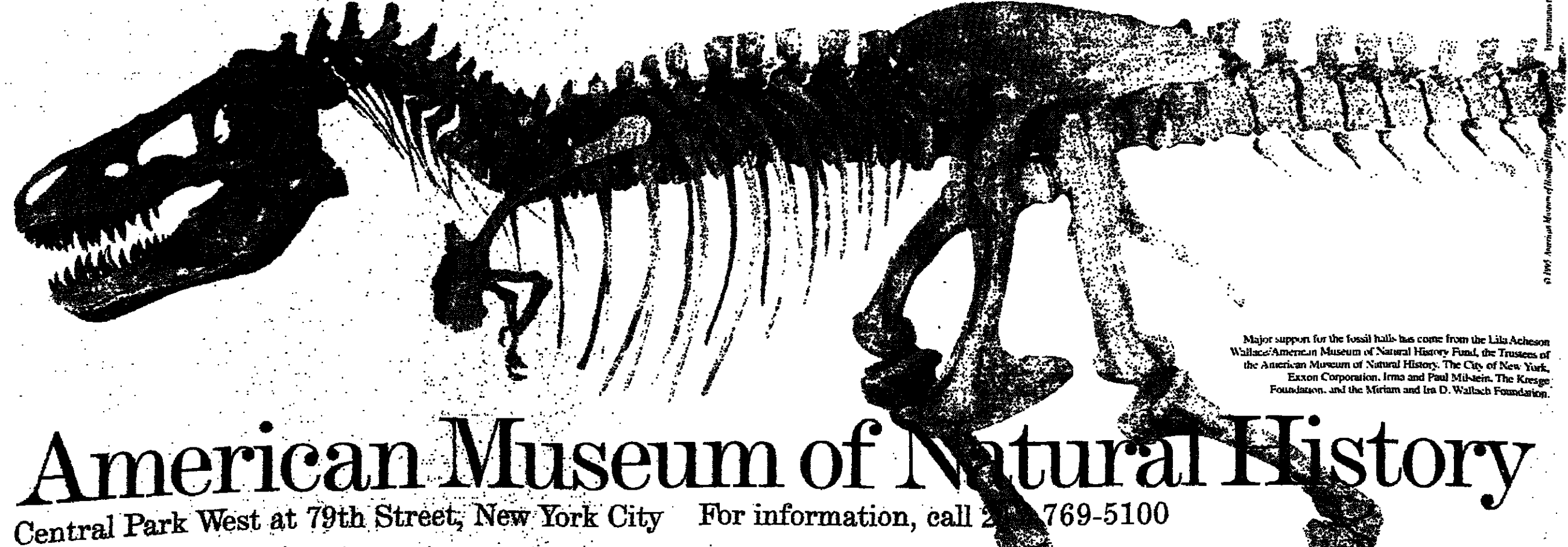
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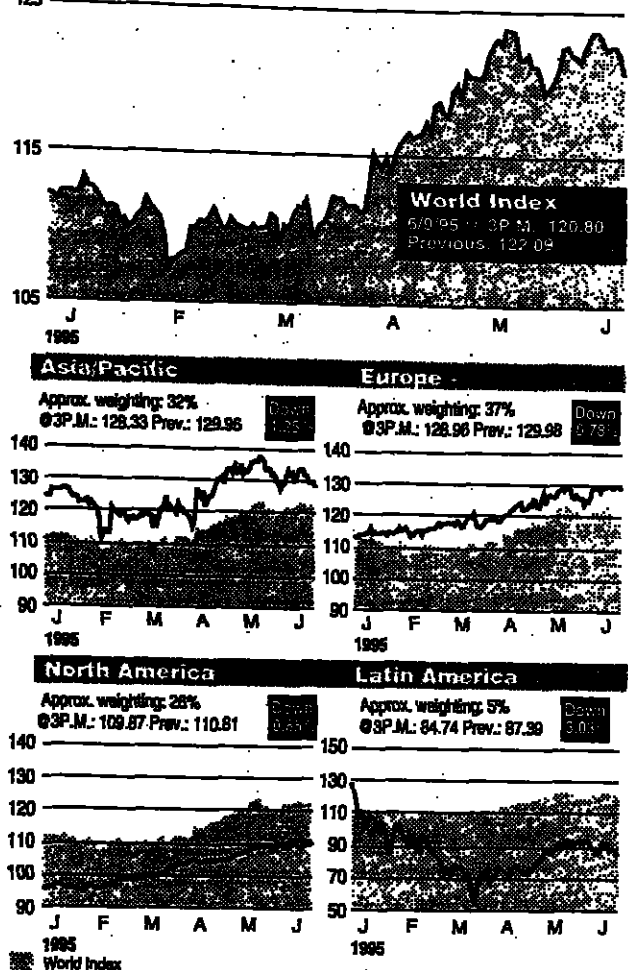
Herald Tribune BUSINESS / FINANCE

SATURDAY-SUNDAY, JUNE 10-11, 1995

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Microsoft Finds Itself Under New Antitrust Inquiry

By Elizabeth Corcoran
Washington Post Service

WASHINGTON — The Justice Department's antitrust division is looking into how an electronic network that Microsoft Corp. plans to launch in August might affect the on-line industry.

America Online, CompuServe and Prodigy, the United States' three leading commercial on-line services, received requests for information from the Justice Department this week, company representatives said.

The Justice Department asked the companies to respond on an unusually tight deadline: ideally, by Friday.

"We have a lot of this information assembled," said Kent Stuckey, general counsel for CompuServe. "The request is actually a continuation of a dialogue that has been going on for some time."

Microsoft confirmed Friday that the Justice Department had requested information about its new on-line service, The Associated Press reported. It said it was "cooperating fully with the Justice Department and remains confident that its plans are legal and in the best interest of consumers."

This is the third time the

Justice Department has looked at the business practices of Microsoft, the world's largest personal-computer software company. Last summer, after a five-year government investigation, Microsoft agreed to change how it licensed its DOS and Windows operating-system software. That settlement has yet to be approved by a judge.

In April, the department filed suit against Microsoft's plans to acquire Intuit Inc., America's biggest provider of personal-finance software, causing Microsoft to drop the deal.

The department would not confirm the precise nature of its inquiry into the network. "We're looking at the possibility of anti-competitive practices in the computer-software industry," said Gina Talamona, a spokeswoman.

On-line services allow people to link their computers over phone lines to send and receive electronic mail, read news and buy goods.

At issue for Microsoft's on-line competitors is whether the company's dominance of the market for operating-system software would give it an unfair advantage as it moves into the new realm of on-line services.

Bonds Plunge on Japan Rumor

Compiled by Our Staff From Dispatches

NEW YORK — Prices of U.S. Treasury bonds plunged Friday on rumors that the Japanese government had told investors to avoid U.S. securities.

A spokesman in Washington for Japan's Finance Ministry denied the rumors that Finance Minister Masayoshi Takemura had counseled Japanese investors to dump U.S. bonds.

Nonetheless, the price of the benchmark 30-year issue fell 1/32 point to 111 17/32, taking the yield up to 6.72 percent from 6.60 percent Thursday.

The stock market followed the lead of bonds, with the Dow Jones industrial average closing down 34.58 points, at 4,423.99. Losing issues outnumbered gaining ones by a 3-to-1 ratio on the New York Stock Exchange.

Lawrence H. Summers, undersecretary of the U.S. Treasury, said he did not think it was a "serious concern" that Japan would retaliate against the United States for its threatened auto sanctions by shutting U.S. bonds.

The threatened sanctions are

set to go into effect on June 28 if the United States does not reach an agreement with Japan on more open markets for cars and car parts.

Mr. Summers made no further comment on possible bond sales by Japanese investors but said "a more open Japanese market and reduced Japanese current account balance would make a healthy contribution to the world economy."

The bond market also remained under pressure from speculation that the Federal Reserve Board would not cut

interest rates soon. Bond prices have dropped for three days, since Alan Greenspan, the Fed chairman, suggested the U.S. economic slowdown would be temporary. Other Fed officials have offered similar hints at steady rates.

Robert Farry, president of the Federal Reserve Bank of San Francisco, said Thursday that the U.S. economic slowdown, while worse than he expected, would be followed by a rebound.

"I don't think there's any

See BONDS, Page 12

U.S. Moves Dim Hopes For Auto Talks' Success

Compiled by Our Staff From Dispatches

GENEVA — The United States provided little reason Friday to hope for a breakthrough in its auto-trade dispute with Japan during talks in Geneva next week.

In announcing the team that will represent Washington, an official of the U.S. Trade Representative's Office said that the talks were not likely to last more than one day.

"Whether the meetings run through Tuesday the 13th depends on how much time is left to discuss," Ira Shapiro, the general counsel, said. "At this point, I think one day will be sufficient."

"Our course is set," he added, referring to punitive tariffs announced against some Japanese luxury cars. "Unless we have a successfully negotiated agree-

ment between now and June 28, we will impose sanctions."

The negotiating team will be led by Catherine Fields, an assistant to Mr. Shapiro. She will be assisted by Andy Stoller, the deputy U.S. ambassador to the World Trade Organization.

Japanese officials made clear that they had expected the delegation to include more senior officials.

"This seems a clear sign that Washington recognizes not much is going to come out of this meeting," said one senior trade envoy in Geneva, "and that all they can do is agree to disagree."

European Union officials said Brussels would not attend the talks because Washington had attached unacceptable conditions on its participation.

(Reuters, AFX, Bloomberg)

Japanese Firms More Optimistic

Compiled by Our Staff From Dispatches

TOKYO — Japan's business outlook has improved, although the powerful yen and a slowdown in the U.S. economy remain causes of concern, the Bank of Japan said Friday in its quarterly survey on the economy.

The tankan survey, conducted in May, showed a slight improvement in business sentiment from the previous survey in February.

The survey also that major Japanese companies plan a 3.2 percent increase in capital investment in the year to March 31, 1996, after an 8.3 percent fall in capital spending in 1994-95. "The slow recovery is continuing," said Kunihiko Takashima, the Bank of Japan's director of research and statistics. He said low interest rates would encourage major manufacturers to spend more on equipment.

In April, the central bank cut its discount rate—the rate at which it lends money overnight to commercial banks—to a record low of 1.0 percent in an attempt to fuel economic growth.

But economists and investors were not convinced of the survey's rosy outlook. In the minutes after the survey was released, Tokyo's benchmark stock index fell to its lowest level in 34 months. The Nikkei Stock Average finished down 2.58 percent at 15,044.18 points.

The survey "came out a bit better than expected, but the feeling is that the BOJ is too optimistic," said Philippe Huber, assistant director of equity trading at UBS Securities in Tokyo. Analysts said a closer look at the survey reflected persistent problems in the economy. The business managers who responded to the central bank's questionnaire said the economy was burdened with too many unproductive workers and that consumers still were not buying.

"Just as many indicators in the tankan point to an economic stall as to a continued economic recovery," said Donald Kimball, an economist at Mitsubishi Bank. "The major worry is the grim outlook for employment."

Companies also expect prices to continue falling, which will pinch profit margins and cause further cut-backs.

The tankan's key figure, known as the diffusion index, is calculated by subtracting the percentage of respondents who say business conditions are worse from the percentage of those who say they are better. Those who answer "neutral" aren't counted. A negative number means a greater percentage of companies are pessimistic.

The diffusion index for major manufacturers dropped to a low of negative 56 in May 1994. Since then, it has improved every quarter, reaching a negative 16 in this survey.

But recent economic statistics show companies they have reason to be concerned. In April, the nation's unemployment rate rose to a record 3.2 percent and industrial production fell.

(Bloomberg, Reuters)

ITT Sells Finance Units for \$5.5 Billion

Compiled by Our Staff From Dispatches

NEW YORK — ITT Corp. said Friday it had completed agreements to sell the remaining parts of its ITT Financial Corp. in three transactions valued at \$5.5 billion in cash and the assumption of liabilities.

The sales mark ITT's exit from the business of making loans to consumers and businesses. The company wants to focus on insurance, auto parts, lodging and entertainment.

ITT has created separate corporate groups for the three remaining businesses, in what analysts suspect is a preliminary move toward splitting them into publicly traded companies.

But the company declined to provide details of the new agreements to sell ITT Residential Capital Corp., Lyndon Insurance Group's reinsurance business and a portfolio of real estate loans and properties in Southern California. Reinsur-

ance Group of America Inc., based in St. Louis, said it was acquiring Lyndon.

This year, ITT sold other ITT Financial units for about \$7 billion in cash and the assumption of liabilities.

The company said it expected gross proceeds from all of the sales of about \$13 billion and net proceeds of \$3 billion to \$3.5 billion.

ITT shares fell 87.50 cents to close at \$109.125. As part of its move to expand in the entertainment business, ITT this year acquired the casino company Caesars World Inc. for \$1.7 billion. In partnership with Cablevision Systems Corp., it also purchased Medi-

son Square Garden Corp. and its sporting teams for \$1 billion.

Last month, ITT completed the sale of its Puerto Rico-based Island Finance unit to Norwest Corp. for \$1.48 billion in cash and the assumption of debt. The company also sold its ITT Commercial Finance unit to Deutsche Bank AG for \$2.6 billion in cash and debt.

At one time, ITT had 275 businesses, accumulated mostly in the 1960s and 1970s during the reign of former Chairman Harold Gennet. The company's current chairman, Rand Araskog, has spun off and sold several units, while acquiring businesses in a few chosen fields.

(Bloomberg, AP)

ECONOMIC SCENE

Baby Bells Want Solid Food

By Peter Passell
New York Times Service

NEW YORK — Sure, Americans can get 40 percent discounts on calls to long-distance after midnight, and even a free diagnosis of why their faxes never made it to Boise, Idaho. But does that prove that the long-distance telephone business in the United States is truly competitive?

The question of whether the half-regulated world of long-distance communications can successfully mimic a free market has fascinated economists since AT&T Corp. was chopped into seven regional monopolies and one long-distance carrier in 1984.

But it has taken on new urgency because the regional Bell operating companies are fighting to get into long-distance service, arguing that the market needs more big players if consumers are to enjoy the full fruits of deregulation. The U.S. Congress seems increasingly inclined to go along.

It is only common sense that the long-distance phone market is competitive. After all, discount offers abound, television is swamped with advertising, and each year one in five customers switches companies in search of a better deal.

But William Taylor, an economist at National Economic Research Associates and a consultant to the Baby Bells, says that common sense is overrated. For one thing, he says, advertising often serves less to inform than to create brand-name identity, and thereby raises barriers to new entry into the business.

The churning of customers for what is

essentially a commodity, he argues, only reinforces the case that the phone companies are using artificial marketing lures.

Most important, Mr. Taylor charges, consumers have yet to reap the benefits of competition where it counts. Declining prices for long-distance calls largely reflect the decline in regulated fees collected by regional phone companies to provide access to local phone networks. His solution? "Let the seven puppies off their leashes."

It is true that basic rates have not fallen after accounting for the decline in access charges, Peter Pitsch, a former head of the Federal Communications Commission's Office of Plans and Policy, acknowledges.

But he says the only people who pay undiscounted rates are low-volume callers who had been implicitly subsidized by high-volume customers under regulation. Moreover, he says, there is no inconsistency between competition and higher rates as long as those rates reflect costs.

It is hard to track the overall price trend because high-volume users never pay retail. The most careful attempt was made by Robert Hall, an economist at the Hoover Institution and a consultant to MCI Communications Corp. Mr. Hall estimated that the average cost per minute of long-distance service, excluding local access charges, fell by roughly a third from 1985 to 1993.

If one is left with the impression that the long-distance market is already competitive, that is probably as it should be. While there are virtually no disinterested voices in this debate, there also are few real signs of monopoly power.

It's Insider Trading Time Again on Wall Street

By Susan Antilla
New York Times Service

NEW YORK — With the frenzy of merger deals and takeover battles these days, it seems like old times on Wall Street in more ways than one.

Securities regulators say they are opening investigations into insider trading at a rate not seen since the mid-1980s, the era in which Ivan Boesky, who went to jail for trading on inside information, became a household name.

Regulatory alarm bells went off again this week after International Business Machines Corp. disclosed its hostile 560-share offer for Lotus Development Corp. That bid pushed up the value of Lotus shares by 89 percent Monday, the day it was announced, and caused regulators to begin looking into suspicious trading the previous week.

Other cases brought to light recently involved Lockheed's

merger last year with Martin Marietta, another military contractor, and AT&T Corp.'s acquisition of NCR Corp.

"It's a growth industry," said William McLucas, director of the division of enforcement at the Securities and Exchange Commission. "In terms of raw numbers, we have as many cases as we've had since the 1980s, when we were in the heyday of mergers and acquisition activity."

Through the end of May, the National Association of Securities Dealers, which oversees the Nasdaq electronic trading market, had already referred 47 cases to the SEC for investigation into possible insider trading, said James Cangiano, the

NASD's senior vice president for surveillance.

If the pace of suspect trading continues at that rate, it would mean the NASD would surpass the record 110 insider trading referrals it made to the SEC in 1987, he added.

The same holds true for the New York Stock Exchange, where investigators have opened three times as many insider trading cases so far this year as they had by this date in 1994.

The Lotus case seems typical. In the days before the IBM announcement, trading in Lotus stock on Nasdaq and in Lotus options, which are traded on the American Stock Exchange, was unusually heavy.

"I think you can presume we are looking at it," Mr. Cangiano said.

And while the SEC does not comment on pending investigations, Wall Street professionals say that the agency has undoubtedly begun an investigation of Lotus trading.

Those trading on insider information apparently include fewer Wall Street professionals than they did in the 1980s, regulators say.

Those who take advantage of privileged information now tend to be corporate officers, directors and their families, friends and lovers, according to executives at the stock exchanges and lawyers who represent defendants.

But the game—and the potential profits—are the same: Get information about a proposed deal that might raise the shares of a publicly traded company before it is announced, and buy the stock ahead of the news.

Better yet, buy the options, which cost less and tend to attract less regulatory scrutiny.

Then, after the public learns what the insiders knew ahead of time, it's time to get out with a quick profit.

The initial rounds of suspect trading of the last year or so differed from those of the 1980s in that they generally did not focus on big names in the securities business.

CURRENCY & INTEREST RATES

Cross Rates	June 9	June 9	June 9	June 9	June 9	June 9	June 9	June 9	June 9
Australian	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56
British	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62
Canadian	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
French	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56
German	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56
Italian	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56
Japanese	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56
Swiss	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56
U.S. Dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Eurocurrency Deposits	June 9	June 9	June 9	June 9	June 9	June 9	June 9	June 9	June 9
Dollar	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
3-month	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
6-month	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
1-year	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
3-month	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
6-month	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
1-year	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4

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EUROPE

Insider Trading at the Top?

London Reviews Government Privatizations

By Fred Barbash
Washington Post Service

LONDON — The British government is investigating itself over allegations of insider trading. The unusual probe stems from charges that the Conservative Party government, in its continuing privatization drive, sold \$4-billion of stock in two electrical power-generating companies in March without disclosing its knowledge of pending regulatory action which could, and did, drive down the share prices.

The investigation was requested Thursday by the chief executive of the London Stock Exchange. On Friday, Chancellor of the Exchequer Kenneth Clarke, whose department managed the sale, said he would comply. But he refused calls from opposition members of Parliament to seek an independent inquiry, saying that he was confident the treasury could handle it.

Insider trading, which is illegal, occurs when individuals with access to information that could affect the value of a stock buy or sell shares without sharing their knowledge with ordinary investors.

That appears to be what officials did on March 6, when they disposed of the government's 40 percent share of Power Generation Co. and National Power PLC on the stock exchange.

At the time, they have acknowledged, they were aware that the official who regulates electricity prices in Britain was contemplating tight-

ening controls on prices, an action which could depress the companies' profits, although they were uncertain about the timing and the details. The sale went ahead on March 6.

On March 7, the regulator, Stephen Littlechild, announced that he was considering new price controls. That day, the prices of both companies tumbled about 7 percent each. Although the stocks have since recovered, the government has not.

At the time, Mr. Clarke explained to angry Labor Party members of Parliament that while officials were made aware of the possibility of Mr. Littlechild's action, they had sought legal advice within the department and were informed that it was unnecessary to inform the public.

The controversy, highly politicized then, went away. It returned with a vengeance Thursday when the London Stock Exchange's chief executive, Michael Lawrence, wrote to the treasury expressing his concern about the transaction and urging further investigation.

Ordinarily, he said in a BBC radio interview, he would have referred such a matter to prosecutors who enforce the country's securities laws. But in the belief that the government enjoyed immunity from those laws, he referred it back to the treasury.

Prime Minister John Major dismissed the controversy as "silly hysteria." The sale of the government's electricity holdings was part of a broad privatization program begun by Prime Minister Margaret Thatcher.

Exports in EU Shrink

Britain's Trade Gap

Compiled by Our Staff From Dispatches

LONDON — Britain's trade deficit narrowed sharply in March, according to data released Friday, easing worries that the exports that have been driving its recovery might be waning.

The country's overall trade gap was \$520 million (\$826.8 million), about half of what economists had forecast. The February deficit, originally reported as \$1.16 billion, was revised downward to \$694 million because figures for exports to the European Union, Britain's main trading partner, were revised upward in both January and February.

The deficit of \$1.98 billion for the first three months of 1995 was the smallest quarterly gap in eight years, and the March figure was the smallest since June 1991. The deficit for the first quarter of 1994 was \$2.1 billion.

Britain's Conservative government, which has so far been unable to reap the political rewards of economic recovery, was quick to welcome the figures. "British exporters are leading a triumphant attack on the world's markets," said Michael Heseltine, the trade minister. "In March, our total exports of £12.6 billion broke all records. If we can do as well as this, we can do better still."

But Geoffrey Dicks, an economist at NatWest Markets, said the improvement in the quarterly deficit was being driven by a £1.3 billion surplus in oil trade, the highest in nine years, and by lower imports of aircraft.

Other economists said the data showed that the overall trade deficit was on a narrowing trend and matched the upbeat message sent by a narrowing of British industry surveys, which have been far more positive on output and export growth than official data. (Reuters, Bloomberg)

Stakes Rise

In Auction For Holvis

Compiled by Our Staff From Dispatches

ZURICH — International Paper Co. stepped up its campaign Friday to acquire Holvis AG by requesting a special meeting of the Swiss company's shareholders and calling for its board to be dismissed.

International Paper, which owns 25 percent of Holvis, will also demand that the board "immediately" take the necessary legal steps to "dissolve" the agreed sale of Holvis's Fiber unit to Britain's BBA Group PLC.

BBA, which holds 11 percent of Holvis, has also bid to buy the Swiss company. Holvis's board has recommended that shareholders accept BBA's offer, although it is 10 percent below International Paper's bid.

"International Paper believes that the Holvis board has not carried out its duties to act in the best interest of the corporation's shareholders," the U.S. company said.

International Paper is entitled to call a shareholders' meeting because it holds more than 10 percent of Holvis shares.

Christophe Zumstein, Holvis's senior vice president, said the six-member board would meet to review and respond to International Paper's request but said that was unlikely to happen before Tuesday.

International Paper's plan to bid 490 million Swiss francs (\$422 million) for Holvis is contingent on Holvis ending its agreement to sell Fiberweb, a key division that makes nonwoven fibers, for 250 million francs.

Holvis shares were down 2 francs at 502, while BBA's shares fell 1 penny to 239 penny (\$3.80). (Bloomberg, Reuters)

Investor's Europe		
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
2150	3400	2000
2100	3300	1925
2050	3200	1850
2000	3100	1775
1950	3000	1700
1900	2900	1625
1850	2800	1550
1800	2700	1475
1750	2600	1400
1700	2500	1325
1650	2400	1250
1600	2300	1175
1550	2200	1100
1500	2100	1025
1450	2000	950
1400	1900	875
1350	1800	800
1300	1700	725
1250	1600	650
1200	1500	575
1150	1400	500
1100	1300	425
1050	1200	350
1000	1100	275
950	1000	200
900	900	125
850	800	50
800	700	-25
750	600	-100
700	500	-175
650	400	-250
600	300	-325
550	200	-400
500	100	-475
450	0	-550
400		-625
350		-700
300		-775
250		-850
200		-925
150		-1000
100		-1075
50		-1150
0		-1225

Very briefly:

- Motorola Inc. completed its acquisition of 10 percent of Groupe Bull and said it could buy a further 7 percent later, depending on Bull's performance in the first half.
- Turkey plans to privatize its Tupsas refining company, the iron and steel maker Ereğli, the petroleum retailer Petrol Ofisi and the petrochemicals company Petkim, possibly by the end of the year, according to the Anatolian News Agency.
- Slovakia plans to install independent regulators for the country's capital markets in a body similar to the Securities and Exchange Commission in the United States.
- Switzerland's first-quarter gross domestic product grew 2.0 percent from a year earlier, compared with a 2.5 percent growth rate in the fourth quarter. The data indicate the economy is slowing, the Swiss National Bank said.
- Swiss unemployment fell to 4.2 percent in May from 4.3 percent in April and 4.8 percent in May 1994.
- German tax inspectors searched six Merrill Lynch & Co. offices on suspicion that the company had helped German investors avoid taxes. Authorities also searched the homes of about 200 people linked to the company, local media reports said.
- Rabobank Nederland cut its estimate of Dutch gross domestic product growth to 2.75 percent this year from 3.0 percent and to 2.0 percent in 1996 from 2.25 percent.
- French retail sales rose a provisional 0.4 percent in December, after an increase of 0.5 percent in November.
- Norway's consumer price index rose 0.1 percent in May from April and 2.7 percent from a year earlier.
- Welsh Water PLC's pretax profit fell to £120.4 million (\$191 million) in the year to March from £144.2 million the previous year as a one-time charge of £28.5 million offset a 2 percent increase in sales, to £521.9 million.
- Nynex CableComms Group priced an offering of 305 million shares at 137 penny each, valuing all of its issued share capital at £1.3 billion.
- Tesco PLC said sales at stores that have been open for at least a year were up 7 percent so far this year from the comparable period in 1994.

West Germans

Lead World in Labor Costs

BERLIN — Western Germany had the highest labor costs in the world in 1994, with an hourly average of 43.97 Deutsche marks (\$31.09), a Cologne-based institute said Friday.

Some German companies have cited the region's high labor costs, up 3.2 percent from 1993, as a reason to move operations abroad.

East German wage costs ranked 15th on the institute for the German Economy's survey. They averaged 26.53 DM an hour in 1994, up 12.2 percent from 1993. The figures include benefits payments and actual wages.

Swiss wage costs were the second highest, at 41.47 DM an hour, followed by Belgium at 37.35 DM. Japan was fifth, at 36.61 DM, and the United States ranked 19th, at 27.97 DM.

Moscow Calls Ruble a Good Investment

Compiled by Our Staff From Dispatches

MOSCOW — Deputy Prime Minister Anatoli Chubais said Friday that the country had reached "a stage of financial stabilization" as the ruble put in its strongest showing in nearly two months.

"The ruble is on the attack and this will continue," Mr. Chubais said.

The dollar was fixed Friday at 4,881 rubles on the Moscow Interbank Currency Exchange, down from 5,181 rubles Thursday.

day and its lowest level against the ruble since late March.

"We are trying to force the dollar out of all sectors of the economy," Mr. Chubais said, "not only at the level of commercial banks but among the population."

He said that it would have been "ridiculous" to urge people to save rubles a year ago but that the currency could now be considered a safe investment.

Foreign investment in Russian equities surged in May to the equivalent of \$200 million from \$100 million in April and \$40 million in March, Mr. Chubais said.

He said 40 percent to 45 percent of the investment had taken place in the oil sector, with a large share coming in telecommunications.

"If, a short time ago, a share in a Russian company cost only a hundredth of a share in an equivalent foreign company, now the ratio is only a tenth," he said.

Economics Minister Yevgeni G. Yasin said inflation remained the chief concern. He said the monthly inflation rate had fallen from 18 percent in January to 8 percent in May but that the target of bringing it down to 1 percent or 2 percent this year was unrealistic.

He forecast an average monthly rate for the year of 5 percent if economic conditions prove favorable and 7 percent otherwise. (Reuters, AFP, Knight-Ridder)

Santer Says U.S. Must Cut Budget Deficit to Stabilize Dollar

Compiled by Our Staff From Dispatches

BRUSSELS — The president of the European Commission, Jacques Santer, said Friday that the United States had to take action to bring its budget deficit and other economic conditions under control to stabilize the value of the dollar.

Mr. Santer also said the European Union's efforts to bring economies of member nations into compliance with the Maastricht Treaty's criteria for creating a single currency should serve as a model of monetary discipline.

Calling for international talks on stabilizing the dollar, he said the Group of Seven leading industrial nations, at their summit meeting next week in Halifax, Nova Scotia, had to develop a way of cooperating to seek stability in exchange rates and growth.

He said he would bring up the matter during the summit meeting.

"There needs to be discussion of monetary turbulence," he said.

Mr. Santer said the dollar's value would not stabilize until Washington took steps to bring the U.S. economy into line with other national economies. "We can't guarantee a stable dollar unless the U.S. economy converges with those of other countries," he said.

He added that he regretted there had been no international coordination over currency levels recently like the efforts that followed the Plaza and Louvre agreements of the 1980s. (AFP, Bloomberg, Knight-Ridder)

Friday's 4 p.m. Close					AMEX				
The top 300 stocks in the New York Stock Exchange up to the closing on Wall Street. The Associated Press									
Stock	Sales	High	Low	Change	Stock	Sales	High	Low	Change
ALC	1404	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMC	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
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AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
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AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
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AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
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AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
AMT	115	25 1/2	25 1/2	0	Alcoa	100	25 1/2	25 1/2	0
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ASIA/PACIFIC

Big Life Insurers Are Abandoning Tokyo's Bourse

Compiled by Our Staff From Dispatches

TOKYO — Japan's struggling economy and falling asset prices have turned its big life insurers, once considered staunch supporters of stocks, into some of the market's biggest sellers.

Insurers sold 340 billion yen (\$4 billion) of stock in May, analysts said Friday, most of it sold by Japan's eight largest life insurers. Some said that selling helped explain why the Nikkei stock average has fallen almost 25 percent this year, as the country's 27 life insurers own roughly 14 percent of corporate Japan.

"The bad news for the market is that only one or two of the life companies seem to have begun their adjustment right now," said Andrew McGrath, an independent trader based in Hong Kong. "If the other join in, there's an enormous amount of potential selling."

The market will get a hint of just how eager life insurers may be to raise cash Monday, when the Big Eight companies report their earnings for the latest financial year.

Japanese life insurers used to be considered among the least likely sellers of large blocks of stock. Not only were their portfolios part of the intricate web of cross-shareholdings that linked companies, but as some of Japan's biggest investors, they would be sensitive to the fact that any attempt to sell on a large scale was sure to force prices lower.

Japan's flagging economy has changed things, however, making stocks look overpriced and sparking a rally in bonds.

"Due to justifiable concern over the economic recovery, investors, including the life insurers, are shying away from equities," said Andrew Shipley, an econo-

mist at Lehman Brothers. "There's been a shift of interest from the stock market to bonds, and there's no reason to expect we'll see that change soon."

Prime Minister Tomiichi Murayama on Friday issued a plea for unspecified major steps to support the stock market. "I'm very much concerned," he said. "We need drastic measures, which should be created apart from conventional ideas."

Mr. Murayama made the remarks after the Nikkei index fell below 15,000 points late Friday for the first time since August 1992.

Japanese life insurers have recently been faced with a potent concoction of financial troubles. As their shareholdings have fallen, declining interest rates have eaten into their income from lending and bonds. But they are obligated to pay policyholders benefits that were agreed upon back in the 1980s when their profitability was at a high level.

Meanwhile, they need to work off 5.3 trillion yen in non-performing loans, and the government is leaning on them to reduce their exposure to risky investments.

Moreover, the way in which life insurers invest their money can have significant consequences for other investors.

"The biggest threat to the market is that they'll continue to become more risk-averse, selling stocks and buying bonds," said David Threadgold, an industry analyst at BZW Securities.

But the trouble for life insurers is that, as the market has taken its 60 percent tumble since 1989, the profits on their core holdings have dwindled — in some cases, to nothing. (Bloomberg, AFP)

Brokering the Power in Indonesia

Demand for Energy Soars

By Paul Blustein
Washington Post Service

JAKARTA — It was the dawn of the 1990s when California-based Mission Energy Co., looking overseas for the first time, commissioned a study to find the most promising market for its power-plant business.

"Indonesia came on the screen as a high target," recalled Robert Edgell, a Mission vice president.

Demand for power in Indonesia, which has a reputation for political stability and is the world's fourth-largest country in population, is surging at more than 15 percent a year as factories sprout throughout the archipelago, especially on the main island of Java.

The state-owned utility, PLN, has been unable to keep up with demand despite a huge building program in the late 1980s. So about five years ago, the government began considering proposals from private groups interested in building a power plant with the aim of supplying electricity to the state utility under a long-term contract. The plant was to be in Paiton, next to an existing power facility.

Mission teamed with two other internationally recognized giants, General Electric Co. and the Japanese trading firm Mitsubishi & Co., to bid. But by early 1992, the government had declared its intention to deal with a consortium led by a little-known U.S. firm, Intercontinental Electric Inc., and the Indonesian conglomerate Bimantara, headed by President Suharto's second son.

The Mission group had its own influential member — Hashim Djojohadikusumo, a Jakarta businessman whose brother is married to one of the president's daughters. A Hashim-owned company joined the Mission group with a 15 percent interest and a contract to supply the Paiton plant with low-sulfur, clean-burning coal from Borneo.

Mr. Hashim personally pitched the advantages of the Mission consortium to the president, and in May 1992 the government decreed that the two groups should share the project. A few months later, after the groups had failed to reach an agreement, the Mission-led consortium received permission to start negotiating an electricity supply contract ahead of the rival group.

While saying that his group won because it had "the superior product," Mr. Edgell acknowledged that Mr. Hashim's connections were "a contributing factor" behind the decision to bring him into the consortium.

For 18 months, the Mission group was locked in negotiations with Indonesian authorities over the terms under which the Paiton plant would operate.

"It was a very interesting cultural experience — having Indonesians, Americans and Japanese involved," said Raymond Vickers, a Hong Kong-based lawyer with long experience in Indonesia who was called in by Mission when the negotiations appeared headed for a stalemate.

The two sides finally signed a contract in February 1994, but it wasn't until six weeks ago that the last big hurdle — arranging the financing — was surmounted after more tough bargaining.

A Local Tycoon Emerges

Washington Post Service

JAKARTA — Foreign investors who bet a bundle on big projects in this part of the world would be well-advised to find a local partner with solid connections to the powers that be — someone like Hashim Djojohadikusumo, who at 40 is as rich and well-connected as his name is long.

Mr. Hashim, the local partner in the high-profile Paiton power-plant project, is a man whose fortunes are rising quickly, just like his rapidly modernizing country.

A small fish in Jakarta's business pond until the late 1980s, Mr. Hashim has emerged as one of Indonesia's most prominent tycoons. His stake in PT Semen Cibinong, the publicly traded cement company he controls, is worth more than \$180 million, according to recent prices for its shares on the Jakarta stock exchange, and he stands out as one of the few pribumi — indigenous Indonesians — who has attained financial success in a country where most of the wealth is held by the ethnic Chinese minority.

Foreign companies looking to invest in Indonesia have been knocking down his door. In addition to the Paiton project, he is joining forces with Merrill Lynch & Co. to form a Jakarta brokerage firm and has invested in high-rise building projects with Kajima Corp., the Japanese construction giant.

But his success, and his popularity with foreign investors, is not attributable solely to his business acumen. Connections count in Indonesia, and Mr. Hashim has plenty of them.

His brother, a rising army officer, is married to one of President Suharto's daughters. His father, Sumitro, is an economics professor who has served as a cabinet minister.

While some of Mr. Hashim's critics dismiss him as just another "crony capitalist," other members of Jakarta's business community view him as a breed apart from the presidential relatives who make quick bucks by grabbing government contracts or arranging special deals with the authorities.

Mr. Hashim's admirers, while acknowledging that he exploits his connections, contend that his businesses will continue to thrive long after Mr. Suharto leaves the presidency.

"He's the real deal," said a foreign resident of Jakarta who heads the local operations of an international brokerage firm.

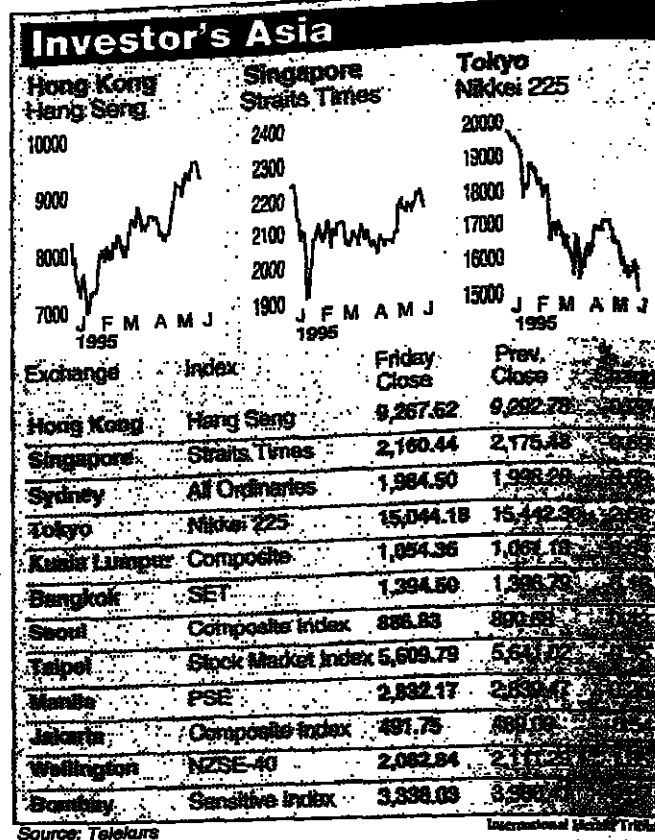
For his part, Mr. Hashim takes a matter-of-fact view. The importance of connections, he says, "is part of our system and predates President Suharto." Mr. Hashim speaks flawless English learned while growing up overseas. His undergraduate degree is from Pomona College in California.

After returning to Indonesia in 1978 and starting a small trading company, Mr. Hashim made his first big splash on the business scene in 1987, when he bought a controlling share of Semen Cibinong, Indonesia's second-largest cement company, from its British owners. The deal established him as a young man with plenty of clout who was ready to use it.

Backed with credit from friendly bankers — he had relatively few resources of his own — Mr. Hashim bid \$20 million, only to be outbid by a \$26 million offer from a Mitsubishi company. Mr. Hashim matched the Mitsubishi bid and took his case to Mr. Suharto's government.

The government concluded that Mr. Hashim should win, in the spirit of "Indonesianization."

—Paul Blustein



Very briefly:

- Nippon Telegraph & Telephone Corp., which currently employs 200,000, plans to cut 30,000 jobs by March 2000 and will announce details by the autumn, the Nihon Keizai Shimbun said.
 - Malaysia, whose economy has grown more than 8 percent annually for eight years, is confident of surpassing that figure this year as well, Deputy Finance Minister Affendun Omar said.
 - TV New Zealand is selling its 29.5 percent stake in Asia Business News to the satellite broadcaster's two U.S. partners, Dow Jones & Co. and Telecommunications Inc.
 - South Korea plans to scale back the role of its Ministry of Finance and Economy, saying 12 of 47 ad hoc committees now under the ministry's umbrella would be dismantled, including those dealing with personnel and real estate projects.
 - Foster's Brewing Group Ltd. said its first Chinese brewer, called Fu Shi Da, was launched in Guangzhou.
 - Thailand's prices in May were up 5.4 percent from a year earlier, the same rate as in the year ended in April.
 - Japan cut interest rates on official loans to developing countries by an average of 0.4 percentage point to help ease the burden of the rising yen.
- Reuters, Bloomberg, AP, AFX, Knight-Ridder

U.S. Offers Regrets to India

Bloomberg Business News

NEW DELHI — The American ambassador to India, Frank Wisner, has expressed regret to Prime Minister P. V. Narasimha Rao over a recent U.S. Energy Department statement about the controversial Dabhol power plant, a local newspaper reported Friday.

Mr. Wisner, responding to a telephone call from Rao's office, accepted the Maharashtra state government's right to review the U.S.-sponsored plant and said he hoped the June 2 statement would cause no lasting misunderstanding, the report said. The statement warned India that other internationally funded power projects could be jeopardized if it went back on an agreement for construction of the plant, which is 80 percent owned by Enron Corp. of Houston.

Resort Dreams Fade At Vietnamese Beach

Bloomberg Business News

DANANG, Vietnam — The dream was of a China Beach, the famed recreational spot for U.S. soldiers in Vietnam, transformed into a sparkling seaside resort for tourists.

The reality is that where a string of resorts was planned, today there are only peeling billboards that more than a year ago announced the resort's imminent construction.

And now, with several new industrial developments planned by the Vietnamese government and companies in nearby China Beach, development for tourism seems further away than ever. Some developers are cutting back their plans.

Al DeMatteis, a New York property developer, planned a \$100 million five-star hotel and marina on China Beach. But the new industrial developments, and the slow pace of tourism in Vietnam, have changed all that.

Instead of the five-star hotel, he said, the company will build several ranch-style villas. Instead of tourism, it now hopes that expatriate businessmen living in Vietnam will buy or rent the villas.

Besides industrial development planned nearby, Mr. DeMatteis said that Danang, the nearest city to China Beach, needed infrastructure, including an international airport, to make tourism profitable.

More than a year ago, Mr. DeMatteis was one of several developers who had announced plans to build more than \$329 million of projects in China Beach, known locally as Non Ngoc. Other developers included an international investment syndicate that still plans to build a \$24 million Indochina Beach Hotel.

American developers in particular foresee a booming market of U.S. Army and other veterans returning to visit Vietnam. Altogether, 3 million soldiers passed through Danang, which was one of the biggest air bases during the war.

The beach remains unpolluted, and an annual surfing competition is starting to attract international attention. But most of the sites of the hotel sites remain inactive. Only about 70,000 foreign visitors went to Danang last year. Poor infrastructure and bureaucratic inertia are just some of the problems.

Still, according to Nguyen Xuan Phuc, Danang's director of tourism, the industrial zones "will not affect tourism development."

CITIC Pacific Says Auto Unit Will Slow Its Earnings Growth

Bloomberg Business News

HONG KONG — CITIC Pacific Ltd., the Hong Kong arm of China International Trust & Investment Corp., said Friday that it expected earnings growth to slow this year as it maintained its focus on infrastructure, property and trading.

The conglomerate, which saw earnings rise 36 percent in 1994, to 2.57 billion Hong Kong dollars (\$332 million), said it had been hit this year by a slowdown at its Dah Chong Hong automobile trading unit.

Sales at the unit fell 40 percent in the first four months of the year from the comparable period in 1994, said Larry Yung Chi-kin, chairman of CITIC Pacific. He said the unit was taking steps to cut costs.

To compensate, CITIC will step up its property business in 1995 and will join other developers in vying for the site of a former British naval base at Hong Kong's Victoria Harbor, Mr. Yung said.

The British Navy's Tamar Basin site is being sold to private developers as the territory prepares to revert to Chinese rule in July 1997. The tender for the 3,480-square-meter (4,176-square-yard) site in Hong Kong's Admiralty area will close July 28.

CITIC Pacific also is seeking a partner for a bid to build a 20 billion dollar railway station in the territory's Central Business District, Mr. Yung said. Cheung Kong (Holdings) and its affiliate, Hutchison Whampoa Ltd., are among those that have expressed interest in the so-called Central Station project.

Central Station is the main terminus on Hong Kong Island for a proposed railway to the air-

port being built on Lantau Island, west of Hong Kong Island. Chep Lap Kok Airport is scheduled to be completed by July 1997.

Mass Transit Railway Corp., the government-owned operator of the territory's underground railway, has invited developers to submit bids for the Central project by the end of next week. The operator will grant property development rights for the station, which is expected to include 223,650 square meters of office space, 90,000 square meters of retail space and 102,500 square meters of hotel or service-apartment space.

Mr. Yung said CITIC Pacific, whose interests include stakes in Cathay Pacific Airways Ltd. and Hong Kong Telecommunications Ltd., had enough cash on hand to fund its projects and did not plan to sell more shares to raise money.

Inflation's Pace Quickens in Beijing

Consumer prices in 21 of China's 35 major cities rose last month, the State Statistics Bureau in Beijing said.

Prices in Beijing rose 20.2 percent in May from a year earlier, after an 18.5 percent increase in April. Shanghai's prices were up 22.8 percent in May, while Guangzhou's consumer price index rose 15.4 percent.

"I'm not surprised to see the inflation rate rising again," said Ou Hongbin, economist at Smith New Court in Hong Kong. "We've always believed the inflationary pressure is still there."

Beijing has declared inflation the country's leading economic problem. Last year, the consumer price index rose 24.1 percent, the worst result since the Communists took power.

Showa's Shares Drop by Limit

Compiled by Our Staff From Dispatches

TOKYO — Showa Line Ltd. said a report Friday concerning its debt was incorrect, but the shipping company's stock nevertheless plummeted to its lowest permitted closing price.

Showa announced its results a week early to refute the report, which said it was suffering from excessive debt and had lost as much as 4 billion yen (\$47 million) in the year ended March 31.

In fact, Showa said, it lost 2.28 billion yen, narrowed from a net loss of 5.41 billion yen the previous year. But its operating loss grew to 1.90 billion yen from 1.07 billion yen.

The stock closed at 81 yen, down its daily limit of 50.

(Reuters, Bloomberg)

Brierley to Sell Stake in Casino

Bloomberg Business News

WELLINGTON — Brierley Investments Ltd. and Promus Cos. said Friday they were selling 36.9 percent of their Sky City project for 156.8 million New Zealand dollars (\$104.6 million).

The companies said they had accepted a bid for 7.38 million shares in the New Zealand casino, which is scheduled to open in 1996.

Brierley, an investment holding company, and Promus, its U.S. partner in the project, are negotiating the terms and conditions of the sale with the bidders and are holding talks with casino regulators.

"It's very good for Brierley," Guv Hallwright of CS First Boston said of the sale.

Last month, Brierley said the partners intended to sell as much as 37.4 percent of the project.

After the sale, which Brierley said it expected to complete by July, the company will hold 50.6 percent of the project, while Promus's gaming subsidiary, Harrah's, will hold 12.5 percent.

Brierley sold its 29.9 percent holding in the British defense and aerospace equipment

manufacturer Alvis PLC in May. Earlier in the month, it sold its 28.4 percent stake in the newspaper publisher Wilson & Horton Ltd., and in mid-April, the company sold its remaining 7.64 percent share in the forest-products concern Carter Holt Harvey Ltd.

Before those sales, analysts considered Brierley to be at the limit of its ability to pay for further sizable acquisitions without seriously increasing its debt levels.

Those sales were offset in part by a string of purchases, including the acquisition of 5 percent of Air New Zealand Ltd., 19.9 percent of the Australian building products group James Hardie Industries Ltd. and 6 percent of the food group Goodman Fielder Ltd.

Hyundai Merchant Marine Plans IPO

Hyundai Merchant Marine Co., a shipping unit of Hyundai Corp., applied to make an initial public offering of 8.6 million common shares in August, Reuters reported from Seoul, quoting a company spokesman.

The spokesman said the company would offer shares at 9,000 won (\$11.84) each.

First three months 1995

(in millions of guilders, except amounts per share)	First three months 1995	First three months 1994	%
Result before taxation:			
- insurance operations	482	354	36.2
- banking operations	255	268	-4.9
Net profit	520	470	10.6
Profit per ordinary share	1.92	1.81	6.1
	31 March 1995	31 December 1994	
Total assets	373,212	358,670	4.1
Shareholders' equity	19,366	21,758	-11.0

ING Group's net profit for the first three months of 1995 showed a handsome increase. The results of the insurance operations grew considerably, while the results of the banking operations were slightly under pressure.

In insurance, the life profit rose from NLG 194 million to NLG 245 million (+26.3%). The non-life profit increased by NLG 75 million to NLG 64 million. The improvement of the non-life result is partly due to the fact that the portfolio has not been affected by major natural disasters.

In banking, the interest result fell by NLG 91 million (-5.6%) to NLG 1,521 million. Commission income decreased by 2.6% to NLG 332 million. Although the result from financial transactions improved, it was still disappointing: - NLG 42 million compared to - NLG 234 million last year. Value adjustments to receivables from banking operations amounted to NLG 260 million compared to NLG 250 million (+4.0%). The result of the British bank Barings, acquired on 6 March 1995, was almost nihil.

Shareholders' equity decreased from NLG 21.8 billion at the end of December 1994 to NLG 19.4 billion at the end of March 1995. This decrease was caused by writing off goodwill paid for Barings and by developments in the stock and foreign exchange markets. Shareholders' equity per share decreased from NLG 79.83 at the end of December 1994 to NLG 70.72 at the end of March 1995. The Executive Board expects that, barring unforeseen circumstances, net profit for the whole of 1995 will at least equal the 1994 level.

ING GROUP

The report for the first three months can be obtained at the following address:
ING Group, P.O. Box 810, 1000 AV Amsterdam, The Netherlands,
tel: (+31) 20 541 54 71, fax: (+31) 20 541 54 51.

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Friday's 4 p.m. Close

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THE MONEY REPORT

FIRST COLUMN

Tax Time: Don't Ask, Just Tell

FORGET about flags and anthems and mascots. If you want to take the true measure of a nation's character, look at the way it drafts and enforces its tax policy.

Tax laws, like any statutes, are a government's way of telling citizens what it wants them to do. Interestingly enough, many Western governments agree on quite a few points. Citizens should work for a living, but preferably not for themselves. They should invest their money, but not make obscene profits; buy their own homes, but not do it too often; have two or three children, but not necessarily get married.

At this time of year, the American expatriate's heart pounds faster at the thought of declaring yet another year's achievements, financial and otherwise, to the U.S. Internal Revenue Service on June 15, the deadline for overseas filers. Although it may be hard for anyone who has been the target of a tax audit to swallow this, the IRS is almost a caricature of the American reputation for openness. Tell us everything, the service says, even if you're not sure we need to know.

The reason for this attitude — again, believe it or not — is that the U.S. tax authorities care a lot more about under-declared revenue than they do about exaggerated deductions. This makes perfect financial sense. One reason for a proposed IRS crackdown on offshore trusts, as Barbara Wall reports this week, is the belief that such trusts allow some \$10 billion in untaxed transfers to U.S. citizens. The IRS would have to disallow a lot of business dinners and charitable contributions to add up to the taxes on that kind of change.

As any accountant will tell you, the IRS can forgive mistakes — after all, nobody's perfect — but it positively hates being lied to. This is worth keeping in mind on Thursday as you sharpen your pencils, switch on your calculator, and prepare to meet one of life's many moments of truth.

— A.B.

By Judith Rehak

New U.S. Laws Are Changing the Game for Expatriate Taxpayers

SO, you're an American expatriate. You pay U.S. taxes. Like many in your situation, you've availed yourself of the automatic extension enabling you to file your 1994 return with the Internal Revenue Service as late as June 15.

But as you prepare to open your checkbook this week, tax experts say you should be aware of changes in U.S. tax regulations that came into effect in 1994. The changes are affecting American expatriates to varying degrees.

Least affected are those whose companies promise so-called tax equalization to their employees living abroad, meaning that the workers won't pay more, or less, than they would at home. But self-employed expatriates may discover they have lost some of their former deductions. Some of the new regulations, moreover, apply to everyone who pays U.S. taxes.

But regardless of where you fall, international tax professionals say the changes, some of which are outlined below, may influence your 1994 filing and how you do your 1995 tax planning.

• **Moving expenses.** The days when Americans could deduct a host of moving expenses when their job took them to a new city are gone. As of 1994, the 30 days — or as much as 90 days for expatriates — of hotel and meal expenses that were allowed while you house hunt, plus the costs of selling a home, are no longer deductible. Still allowed are plane and ship tickets and other transportation expenses for individuals and their families from the old city to the new, and the cost of moving household goods and personal possessions.

American expatriates with tax equalization benefits may find that their companies will bear the burden of costs that are no longer deductible, says Arthur Fisher, an international tax partner with KPMG in Washington, D.C. "But the companies might take a harder look at those costs from now on," he warned.

Who, according to Mr. Fisher, are the big losers on moving expenses? "If you're overseas and self-employed, like a lawyer or consultant, or even retired, you're out of luck," he said.

• **The Medicare tax.** The income on which Americans must pay the Medicare tax of 1.45 percent is now unlimited. Before 1994, the ceiling was \$135,000, so the maximum bite was \$1,958. Now, if you earned, say, \$1 million a year, you could be

socked with nearly \$15,000 in tax. The Medicare tax may even be assessed on expatriates' so-called add-on income, like housing allowances and school tuition, according to Musadiq Bhalloo, an international tax manager with Coopers & Lybrand.

A U.S. multinational company might be willing to compensate for that, "but if it's base pay, the employee is stuck with that," said Mr. Bhalloo, noting that the situation was the same for an expatriate as for someone living in the United States.

• **Business meals and entertainment.** The IRS has tightened the screws on how much you can deduct for those power lunches and dinners, not to mention an evening on the town with a client. The maximum is now 50 percent, compared with 80 percent previously. Once again, the hardest hit are the self-employed.

• **Club dues and travel expenses.** The golf course may be your favorite place to clinch a deal, but as of the 1994 tax year the IRS has decreed that dues and initiation fees paid to clubs for "business, pleasure, recreation, or other social purposes" are no longer deductible. Even if you consider your spouse or significant other an asset to your career, you can no longer write off the cost of taking him or her to a business conference.

• **Charitable contributions.** Are you still sending checks to groups back home, such as your church, alma mater or a philanthropic organization? Starting with your 1994 tax return, those canceled checks are no longer sufficient proof of your contribution. Now, unless you gave less than \$250, you must have a receipt from the organization.

The good news is that, after a barrage of complaints in the United States, the IRS is going easy on demanding receipts this year, allowing taxpayers until October 16 to obtain them. So take the deduction, even without a receipt, say tax pros, and chase it down later if the IRS asks for it.

But Uncle Sam won't be so forgiving in 1995, they warn. To avoid the hassle altogether, Mr. Fisher suggests another strategy: "If you intend to give \$250, give \$249," he said. "It costs the organization \$1 to send you a receipt anyway."

• **Safe-harbor rules.** Under prior regulations, if you paid, say, \$10,000 in U.S. taxes one year, and you paid an estimated tax of \$10,000 the next year, you were protected from penalties, even if you ended up owing \$1 million. Now, anyone who has a taxable income of more than \$150,000

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must ante up estimated taxes of 110 percent of the prior year to be protected. It may already be too late for 1994, but take note when estimating your payments on 1995 income, say the experts.

• **What to look for in 1995.** So far, there haven't been any major changes, according to tax professionals. But there's no doubt on what many taxpayers are wondering about: the prospect of a flat-rate income tax for everyone, a possible reduction in the capital-gains tax, and the question of whether to postpone taking profits on an investment in the hope of a smaller cut for the IRS.

Passage in Congress of a flat-rate tax, which would cut out most deductions, is not in the cards this year, if ever, say political pundits. The reason: It is more complicated than it appears and raises politically charged issues such as elimination of the write-off of interest on mortgage payments.

More likely is a cut in the 28 percent capital-gains tax, although no one wants to predict when it will happen. "We've been down this road before," commented one expert. "Everyone says, 'Here comes a change,' and then it evaporates."

Mr. Fisher gave a 30 percent chance of such a cut happening this year, while Mr. Bhalloo said 1996 was a better bet.

More important, many financial advisers are saying that with the stock market hitting record highs and the economy slowing, waiting to take profits could lead to selling in a market far below its current levels. Most believe that any capital-gains cut would be retroactive as well.

"Don't let the tail wag the dog," warned Mary Malgoire, a Bethesda, Maryland, financial adviser, referring to taxes and investment strategy, respectively.

But while a capital-gains reduction would make headlines, what should you do about keeping up with other changes in 1995 if you don't have professional assistance?

For one thing, you can check in with the IRS overseas offices in major foreign capitals, or with U.S. embassies or consulates. Or you can write to the IRS Distribution Center, PO Box 85074, Richmond, Virginia 23261-5074, U.S.A. Ask for Publication 553 (Highlights of 1995 Tax Changes), available sometime next autumn.

If you are still unprepared for June 15, you can receive a filing extension to August 15 — provided you file Form 4868 by June 15. But remember, as the IRS never fails to remind taxpayers, it is an extension for filing your return, not for paying your taxes.

Meanwhile, one piece of legislation now working its way through the U.S. House and Senate is being watched closely by international tax lawyers and accountants. Under the proposed "expatriation tax," the Internal Revenue Code would require that on the day an individual gave up U.S. citizenship, he or she would have to pay taxes on the appreciated value of any investments in or out of the United States, above a limit of \$600,000.

"It used to be that you gave up your U.S. citizenship and your income overseas was not subject to U.S. taxes," said Sanford Goldberg, an international tax lawyer with Roberts & Holland in New York. "Now, when you leave, the IRS wants to get everything they think they're entitled to" — including, but not limited to, a house overseas, U.S. stocks, and stock options in your company.



IRS Filing Dates

June 15: Official date for 1994 tax returns. If you are a U.S. citizen or resident, you must file a return by this date. If you are a non-U.S. citizen or resident, you must file a return by this date if you are required to file. If you are a U.S. citizen or resident, you must file a return by this date if you are required to file. If you are a non-U.S. citizen or resident, you must file a return by this date if you are required to file.

Americans Are Feeling French Reforms

By Sabine Smith-Vidal and Caroline Sutton-Pélegré

DESPITE President Jacques Chirac's campaign promise to use innovative methods in France's battle against unemployment, his new government seems to be studying the same old remedies.

New laws may indeed be enacted. For the moment, however, more relevant for Americans working on France is legislation passed in 1994 focusing on temporary assignments for employees of foreign companies that do not have a legal entity in France. This legislation is part of a long-standing policy to fight unemployment by limiting the influx of foreign nationals to France.

According to the new laws, foreign companies sending workers to France are now obliged to comply with the same labor laws as domestic employers with regard to hygiene and security at work, minimum wages, duration of work, holidays, work on Sundays, premiums and sick pay. The aim is to avoid a chasm between the treatment of French and foreign employees, the latter often being less protected and lower paid than their French counterparts, and, consequently, more attractive to employers. The regulations apply to any foreign employer and to any kind of services. Strict control

mechanisms have even been put in place that require the employer to report to the French Labor Administration in advance with details of its activities and the number of employees to be sent to France.

But though there is a sound economic basis for these regulations, it is more than likely that foreign companies sending workers to France for very short periods of time are liable to encounter serious problems in implementing the regulations, ultimately resulting in extensive restrictions on the free movement of labor.

In a recent general policy speech, Prime Minister Alain Juppé spoke of his wish to reform the income-tax system, although he made no explicit reference to a reduction in taxes. Given the current state of French finances, a tax cut appears unlikely in the short term.

Mr. Juppé appears to be favoring an income-tax system that more closely resembles the social-security tax that is withheld by employers. Moreover, France's present system of paying individual income taxes the year following that in which income is earned gives a huge cash-flow boost to first-time taxpayers — particularly foreign employees coming to France for a short-term assignment — to the detriment of the French state finances.

Indeed, the short-term future for foreign workers in France

seems dim, affected by increased charges, stricter immigration control, new labor laws and little hope for an income-tax increase.

Meanwhile, in the United States, a series of tax proposals passed by the House of Representatives may persuade potential U.S. expatriates to stay at home rather than accept an international assignment.

Republican proposals include changes to current capital-gains provisions. Individuals would be allowed to exclude 50 percent of net capital gain from income, effectively cutting their current capital-gain rate of 28 percent in half. To counterbalance the measure, \$2 of capital loss would be required to offset \$1 of ordinary income, and the current \$3,000 capital-loss limitation would further limit potential benefits.

There is also a proposal that would allow home sellers to take a capital loss on the sale of their principal residence. The loss is currently treated as a nondeductible personal loss.

Further legislation that would affect U.S. citizens both at home and abroad is a proposed increase in the unified U.S. estate and gift-tax credit. Currently, tax on the first \$600,000 of estate and lifetime gifts is fully offset by a credit of \$192,800. This credit would be increased over a three-year period to \$248,300, which would likely boost individual estate

A series of other measures intended to benefit the individual taxpayer include a family-tax credit of up to \$500 for parents with an adjusted gross income under \$250,000 for each qualifying child; a marriage penalty credit to mitigate the tax consequences of being married in the United States; a new type of savings account giving rise to tax-free distributions; an increase in the amount that may be contributed annually to an individual retirement account, and a simplification in the alternative minimum tax, which is particularly relevant for overseas taxpayers affected by foreign tax-credit limitations.

The proposals must now all pass before the U.S. Senate, whose disposition toward them, say analysts, is far from clear. Some say none of the reforms are likely to be adopted before the end of the year.

Similarly, in France, analysts say that any significant tax reforms will probably be debated for the 1996 budget in December 1995. This gives any potential assignees to France and their employers reasonable breathing space in which to decide whether the French labor, tax and social climate has become too unfavorable.

SABINE SMITH-VIDAL is a lawyer with S.G. Archibald. **CAROLINE SUTTON-PELEGRÉ** is a lawyer with Arthur Andersen International's Executive Services group.

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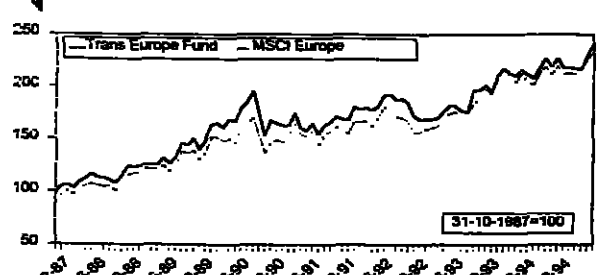
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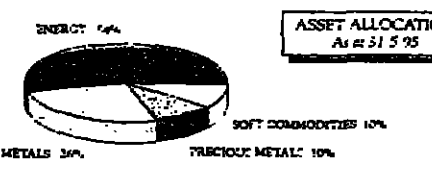


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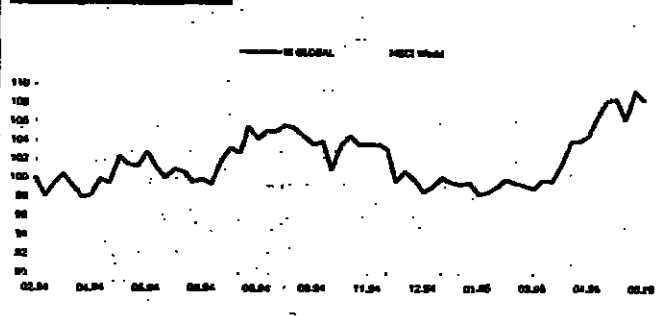
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Contrary to the other Inter Strategy sub-funds which focus most of the time on one or two specific markets, Inter Strategy Global, launched early 1994, is invested in all major equity markets, i.e. North America, Japan, the United Kingdom, Germany and France. A portion of this sub-fund, which is denominated in USD, is also invested in smaller European markets such as the Benelux and Switzerland and, more recently, in southeast Asian markets.

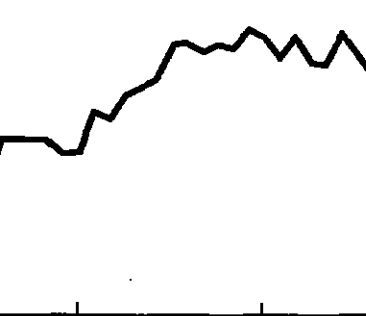
The aim of this broad diversification is to generate a steady appreciation in the net asset value, in line with the MSCI World index. Thus, this sub-fund is more particularly targeted on conservative investors who wish to take part in the global equity market via blue chips chosen from all over the world. As can be seen in the above graph, this strategy has been successful as the net asset value has appreciated by 8.4% since the beginning of the year.

Indeed, this fund benefited both from the strong rally of Wall Street during the last six months, and more recently from the rally in European and Hong Kong equities. At the same time, losses on the Tokyo market which plummeted over the last twelve months, were limited thanks to reasonably sized positions. Furthermore, the broad geographical diversification enabled us to take advantage of the fall in the US-dollar.

We remain confident that equity markets will continue to perform well during the months to come, even if economic growth in Europe and Japan has been hampered so far by the low dollar. We believe that the current slow down in the US economy is only temporary and that an improvement in the US currency can reasonably be expected, hence benefiting international equity assets.

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Net Asset Value per share



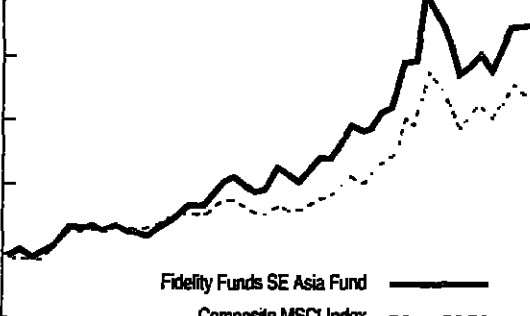
RICHCOURT FUTURES INC. is the very successful futures component of the RICH COURT Managed Account Program. The program, which is based on a multi manager concept with assets over USD 75 million, is designed to give access to some of the best money managers in the world. The other funds of the Program are RICH COURT America Inc. and RICH COURT S Strategies Inc.

Since its inception on April 1, 1992 RICH COURT FUTURES INC. has achieved a total return of 59.9%. This 16.0% annualized return was realized thanks to the careful selection and monitoring of the best Commodity Trading Advisors located throughout the world. RICH COURT FUTURES INC. is well diversified, spreading its investments among trend followers, discretionary traders, and global derivatives arbitrageurs. The money managers invest in the international financial futures, commodities and foreign exchange markets.

The fund is quoted in US dollars and is open for subscriptions and redemptions on a monthly basis.

Further information can be obtained from the ADMINISTRATOR: Citco Fund Services (Europe) B.V., Strawinskylaan 1637, 1007 JE Amsterdam, The Netherlands, Mr. Niels Heck, Telephone: (31-20) 6769611, Fax: (31-20) 6750681.

Fidelity South East Asia



Data Source: Micropal Ltd. Nav to Nav, Gross income reinvested
Data Source: Datastream, Gross income reinvested

The Fidelity South East Asia Fund has an excellent track record with above average performance since launch. In fact an investment made just over four years ago would have more than doubled by now.

By investing in the emerging markets of the Pacific Basin, the fund has been able to benefit from the outstanding economic growth of this region and following recent volatility many investors are aware that South East Asia could once again provide investment opportunities for long-term growth.

Fidelity was the first foreign fund management group to open an office in Asia in 1969 and now has over \$7 billion under management in Asia alone. Fidelity's South East Asia investment team includes 20 managers and analysts making in excess of 850 company visits and contacts each year searching for the most attractive investment opportunities.

For further information please contact one of our representatives on +352 251 351 230.

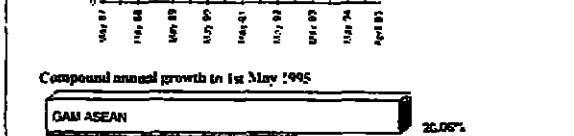
Source of figures: Micropal, NAV to NAV, gross income reinvested to 31/5/95.

GLOBAL ASSET MANAGEMENT

GAM Global Asset Management manages \$7 billion from offices in Bermuda, London, New York, Zurich, Hong Kong, Singapore and Tokyo. As well as discretionary investment management for private clients and institutions, we offer a selection of funds in different currencies and jurisdictions, many of which are among the top performers in their sectors.

GAM ASEAN
The fund seeks capital appreciation through investing in securities in the Eastern Pacific and Asia, excluding Japan and Australia.

* GAM ASEAN ranked 1st in its Micropal universe from 26th Mar 1987 to 1st May 1995 as a NAV-NAV fund in USD terms with gross income reinvested.



Compound annual growth in 1st May 1995
GAM ASEAN 26.00%
Micropal Universe, Offshore Far East & Pacific ex Japan Equity 13.00%

Fund and under performance is calculated from the fund's inception on 26th Mar 1987.

* Source: GAM1 Micropal universe performance as calculated from 26th Mar 1987.

GAM FUND MANAGERS (UK) OF MAN LIMITED
11, Abchurch Lane, London EC4N 3DF, UK. Tel: 020 7488 4333. Fax: 020 7488 4334. E-mail: info@gam.com

GLOBAL EQUITY FUND

TOP QUARTILE PERFORMANCE IN SECTOR*

The Guinness Flight Global Equity Fund, a Guinness-based distributing fund, aims to achieve capital growth through investing in an international portfolio of equities.

Guinness Flight applies its acknowledged expertise in currency management by managing the fund's currency exposure independently to its equity exposure. This seeks to avoid possible erosion of stockmarket gains through exchange rate movements.

The fund has outperformed the Morgan Stanley Capital International Index since its launch in January 1985. Since launch performance, Guinness Flight Global Equity Fund in US Dollars 456.2%, MSCI World Index 337.9%.

For further information, please contact our Investor Services Department in Guinness on

(44) 1481 712176

* Source: Guinness Flight Global Equity Fund. Performance as measured by the Guinness Flight Global Equity Fund Index. The index is calculated as the Guinness Flight Global Equity Fund Index divided by the Guinness Flight Global Equity Fund Index at the start of the period. The index is calculated as the Guinness Flight Global Equity Fund Index divided by the Guinness Flight Global Equity Fund Index at the start of the period.

J.B. Emerging Markets Equity Fund



J.B. Emerging Markets Equity Fund invests exclusively in emerging markets, so, on balance, countries whose economic growth rates are higher than those of industrialized countries. At present, Latin America has a 45%, and the Far East a 30%, weighting, with Mediterranean countries accounting for a small share of about 5%.

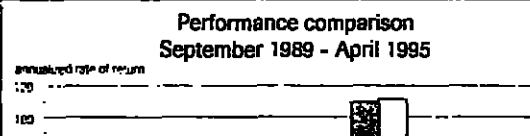
Prices on emerging markets fell drastically after Mexico decided to devalue the peso in December. The resulting general confidence crisis caused the Baring Emerging Markets Index to drop by 30% in two months. The international USD 10 million financial aid package for Mexico and the subsequent agreement between Argentina and the IMF calmed down the markets somewhat. Even if prices have been rising lately, they are still well below their level in December.

Low cost and emerging markets are regarded as an attractive investment opportunity. J.B. Invest is a mutual fund group which is fully owned by its investors.

If you wish to know more about the J.B. Emerging Markets Equity Fund and other investment solutions offered by J.B. Invest, please complete the coupon or write or phone direct to J.B. Invest, P.O. Box 1000, 1000 AA Amsterdam, The Netherlands. Tel: +31 20 78 78 01, Fax: +31 20 78 78 02.

J.B. Invest is supported by the Dutch Financial Supervisory Authority. This is to ensure that the fund is managed in accordance with the Dutch Act of Supervision and the relevant Dutch company regulations, which have been adapted to the EU Directive concerning safeguards for collective investments in transferable securities.

Asian Selection Fund N.V.

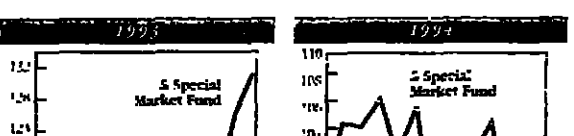


Asian Selection Fund N.V. (ASF) was established by MeesPierson Capital Management in 1989 as an open-end investment fund, to provide investors with a means of investing in the dynamic economic development of a number of Asian Pacific Rim countries, excluding Japan. The primary objective is long-term capital growth. Shares ASF, denominated in Dutch guilders, are traded daily on the Amsterdam Stock Exchange.

1994 was a difficult year for most Asian markets. However, corrections of prices far in excess of valuations do not tend to be followed by further weakness once the excesses have been worked off. As such, attention should, once again, be focused on the economic environment. Unless the favourable earnings outlook for the coming years is severely damaged or Asia suffers from unexpected shocks, share prices can be expected to rebound in 1995.

For further information please contact:
MeesPierson Capital Management in Amsterdam, tel +31 20 527 4871.

The Performance Edge



In 1993, investment profits were low to none. As investors returned to the stock market, even modest price increases were welcome.

Last year, conditions were very different - and many fund managers saw their 1993 performance severely eroded.

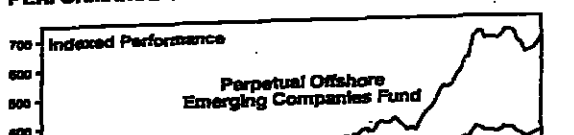
In such conditions, the flexibility of the Special Market Fund, the skill of Old Mutual Portfolio Managers gave us a valuable edge. With the ability to move freely between sectors - equities, bonds, cash - and markets, 1994 saw the fund make a well-earned return to a more defensive position. We couldn't make a full use out of a new year, but our ability to make the best of prevailing investment conditions was clearly demonstrated.

If you think a fund with this ability and an exceptionally impressive long-term track record could be of interest, please contact our Helpdesk on (44) 1481 700940.

Old Mutual International (Guernsey) Limited is a registered life assurance company specialising in the provision of investment products tailored exclusively for the international investor - access to the Special Market Fund is available in many currencies.

Perpetual OFFSHORE EMERGING COMPANIES FUND

Launch Date	Value of Fund US\$m	% Change Since Launch	5 Years	Fund Research Rating
8.4.85	86.8	+580.0	+125.2	AAA



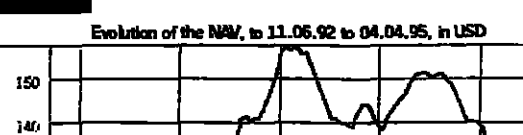
GENERAL INFORMATION ON PERPETUAL UNIT TRUST MANAGEMENT (JERSEY) LIMITED

- Offers 10 offshore funds investing worldwide (Minimum Investment: US\$2,000)
- Since launch 7 Funds have achieved top quartile performance
- Over the last five years, 5 out of 6 Funds have achieved top quartile performance
- Offshore Portfolio Management Service, based on Fund range, also available (Minimum Investment: US\$150,000)

All statistics are to 31st June 1995, on an offer-to-offer, US Dollar basis including reinvested income, net of withholding taxes (Source: Micropal).
* Fund Research Ltd is a leading independent qualitative research company.

For further information please phone Marion Buchanan on +44 (0)1534 68448, or send her a fax on +44 (0)1534 38918.

SOGELUX FUND P Growth countries and sectors



The Soci t  G n rale Group launched the first French SICAV in 1964 and manages today more than USD 60 billion in over thirty financial market places worldwide, on behalf of private investors and institutions.

Since 1987, the Soci t  G n rale Group has been offering a Luxembourg mutual fund, SOGELUX FUND, today composed of 18 compartments with a total NAV of USD 570 million.

SOGELUX FUND includes:

- 9 bond compartments specialized in countries or geographic areas (USA, Japan, Europe, Germany, France, UK, Belgium, Spain and Italy) and denominated in the matching currencies,
- 1 diversified world bond compartment denominated in USD,
- 5 equity compartments specialized in North America, Europe, Pacific Rim, Growth countries and sectors, mining and gold instruments,
- 1 diversified world equity compartment denominated in USD,
- 2 short term compartments denominated in French Franc and in ECU.

Sogelux P is equity orientated fund invested principally in emerging markets and in small and medium sized growth stocks in mature markets.

Mail this coupon or send fax to:

Patrick Falconer/Fund Performance Focus
International Herald Tribune, 63 Long Acre, London WC2E 9 JH
United Kingdom. Fax: (+44-1-71) 240 3417.

Please send me information on the funds circled at no cost or obligation.

1 2 3 4 5 6 7
8 9 10 11 12

Name _____
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Company _____
Position _____
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City _____ Code _____
Fax or Tel _____

SATURDAY-SUNDAY, JUNE 10-11, 1995

For full membership details
ring (011) 474 854166

"WHAT?" I said, adding: "NOW?"

"Look at the lights," somebody said. Sure enough, the chandeliers were swinging back and forth. Nobody seemed remotely alarmed by this.

"A caller reported that he had returned to his residence where he was staying and a ball was missing from the front porch. The caller stated that neighbors had seen an individual take the ball and use knives on it."

TUNE IN NEXT WEEK for Part Two of this series, featuring glaciers and a terrifying encounter with Binky the Tourist-Eating Bear.
Knight-Ridder Newspapers.

There are regional chefs, cross-country visits to restaurants, meatless meals and Debbi Fields of Mrs. Fields Cookies fame who mixes "sinfully rich" batters undistracted by three-inch fingernails and very big

A black and white cartoon illustration of a man in a chef's hat sitting at a table, looking at a laptop. The laptop screen shows a bottle of wine. There are three glasses of wine and a salt shaker on the table. The man is looking at the laptop with a surprised expression.

Urvater and her colleagues draw 10,000 viewers a week. The most unlikely people watch the channel, O'Gorman says, although in Manhattan it is at present available only from midnight to 8 A.M. "A book publisher said we're the Danielle Steel of television," adds her husband. "They all knock you like hell and then watch you all night long."

But even that may change. A scientist has just announced a new way of reducing the fat content in pork chops by a form of permanent liposuction. If successful, it will be tried on overweight American pets and, eventually, on their owners.

SATURDAY							SUNDAY							All forecasts and data provided by Accu-Weather, Inc. © 1999	
Europe and Middle East							Europe and Middle East								
Location	Weather	High Temp. °F	Low Temp. °F	Water Temp. °F	Wave Heights (feet/m)	Wind Speed (mph)	Location	Weather	High Temp. °F	Low Temp. °F	Water Temp. °F	Wave Heights (feet/m)	Wind Speed (mph)		
Cannes	partly sunny	25/77	15/59	17/82	0-1	W 10-20	Cannes	showers	24/79	16/61	17/82	0-1	SE 12-20		
Deauville	showers	19/58	11/62	14/57	1-2	NE 15-30	Deauville	partly sunny	21/70	13/55	14/57	0-1	N 12-20		
Malaga	partly sunny	28/82	17/52	18/66	0-1	W 10-20	Malaga	partly sunny	28/84	17/52	18/66	0-1	SW 16-20		
Malaga	partly sunny	28/82	16/54	19/56	0-1	NW 10-20	Malaga	showers	27/80	17/62	21/70	1-2	W 20-30		
Capfagi	partly sunny	29/84	20/68	21/70	1-2	SW 15-30	Capfagi	partly sunny	28/79	17/82	21/70	1-2	W 20-30		
Prasaus	partly sunny	24/75	16/51	17/66	0-1	W 10-20	Prasaus	showers	26/79	18/62	19/66	1-2	NW 15-20		
Corfu	showers	32/69	21/70	22/71	0-1	SW 10-20	Corfu	showers	32/69	21/70	22/71	0-1	SW 12-20		
Corfu	showers	32/68	20/58	22/71	0-1	SW 10-20	Corfu	showers	33/61	21/70	22/71	0-1	SW 12-20		
Kosovian	showers	16/61	10/56	11/66	0-1	NE 15-30	Kosovian	showers	16/61	10/56	11/66	0-1	NE 15-30		
Ostend	showers	15/59	10/50	15/59	2-3	NE 25-50	Ostend	showers	17/62	11/52	15/59	2-3	NE 20-30		
Scheveningen	showers	15/59	10/50	14/57	2-3	NE 25-50	Scheveningen	showers	16/61	10/50	14/57	2-3	NE 20-30		
St. Thomas	showers	15/59	10/50	14/57	2-3	NE 25-50	St. Thomas	showers	16/61	10/50	14/57	2-3	NE 20-30		
Izmir	showers	32/69	22/71	20/58	0-1	W 10-20	Izmir	showers	33/61	22/71	21/70	0-1	W 12-20		
Tel Aviv	showers	29/82	21/70	23/73	0-1	SW 10-20	Tel Aviv	showers	29/84	23/73	23/73	0-1	SW 12-20		
Caribbean and West Atlantic							Caribbean and West Atlantic								
Barbados	partly sunny	33/91	26/79	30/86	1-2	E 18-35	Barbados	partly sunny	33/91	25/77	30/86	1-2	E 15-30		
Kingston	partly sunny	34/93	28/79	31/88	1-2	SE 18-35	Kingston	partly sunny	35/95	27/80	31/88	1-2	SE 13-30		
St. Thomas	partly sunny	34/93	28/79	30/86	1-2	E 18-30	St. Thomas	partly sunny	34/93	25/77	30/86	1-2	E 15-30		
Hamilton	partly sunny	29/82	23/73	25/77	1-2	NW 12-25	Hamilton	partly sunny	29/84	21/70	24/75	1-2	W 10-20		
Asia/Pacific							Asia/Pacific								
Penang	partly sunny	33/81	24/75	30/86	0-1	SW 15-25	Penang	thunderstorms	32/89	24/75	30/86	0-1	SW 12-20		
Phnom Penh	partly sunny	34/93	26/79	31/88	0-1	SW 10-20	Phnom Penh	thunderstorms	33/95	26/79	31/88	0-1	SW 12-20		
Bali	partly sunny	34/93	25/77	30/86	0-1	NE 10-20	Bali	partly sunny</							

Without one, you can do it even faster

AMERICAS	
Argentina	001-800-200-1111
Bolivia	0-800-1112
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Chile	1-23-0-0311
Colombia	980-41-8010
Costa Rica	998-119
El Salvador	190
Guatemala	190
Honduras	190
Mexico	85-800-462-423
Nicaragua	174
Panama	109
Paraguay	171
Venezuela	88-011-120

AT&T Access Numbers for countries in the Asia/Pacific region are listed daily in the Asian edition of the International Herald Tribune.